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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION

March 10, 2009

FINANCE MEMORANDUM

MEMO NO. 09-04

TO: All Department Heads

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Budget Requests from the American Recovery and Reinvestment Act of 2009 (Federal Stimulus Package)

As a follow-up on previous discussions regarding the federal stimulus package, the purpose of this memorandum is to establish a formal process whereby departments may propose new or revised budget requests as a result of newly available federal funding.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA) to provide substantial direct spending and tax incentives to jumpstart the U.S. economy out of the current recession. The total amount of additional federal funding for the State of Hawaii has been estimated at close to $800 million, to be made available for State Fiscal Years 2009, 2010 and 2011.

The federal stimulus package targets the following areas:

- Education and Workforce
- Energy and Natural Resources
- Health and Human Services
- Infrastructure and Economic Development
- Tax

A. GENERAL INSTRUCTIONS

While details regarding implementation of the Act are still being developed by federal agencies, all State departments and agencies are expected to take immediate action to determine the following:

1. The sources and amounts of federal funds that may be available for your respective programs and operations.

2. The specific requirements, conditions, and/or limitations associated with obtaining the funds.

3. The process(es) and timeframe that your department will establish for obtaining or applying for the funds.

4. The costs to the State, if any, in meeting federal funding conditions (short-term and long-term).

5. How your department envisions using the stimulus funds. For example:

    - To meet program shortfalls in FY 09.
    - To restore funding that has been eliminated or reduced in FB 2009-11.
    - To meet anticipated increases in program expenses in FB 2009-11.
    - To provide additional services (program expansion) in FB 2009-11 only.
    - To undertake one-time projects that have no continuing future costs.
    - To create temporary jobs for FB 2009-11.
    - To meet other needs, as specified.

6. Specific requests for use of federal stimulus funds by Program IDs for FY 09 and FB 2009-11.

7. Other actions to enable your department to fulfill the intent and purpose of the ARRA.

B. <u>PROCEDURE FOR REQUESTING AUTHORIZATION TO APPLY FOR AND EXPEND FEDERAL ARRA FUNDS</u>

1. In areas where reliable information and federal guidance are available for immediate implementation, departments shall submit their proposed plans for requesting federal ARRA funds through the normal budget procedure to obtain State legislative authorization for affected programs.

    a. All such requests require Governor's approval through the Department of Budget and Finance (B&F). Upon approval, the request will be submitted to the Legislature as an emergency appropriation (for FY 09) or a Governor's budget message for (FB 2009-11).

    b. Use the attached <u>revised</u> Forms A-1 and B-1 (summary) for operating requests and Forms P-1, Q-1, R-1 and S-1 (summary) for CIP requests.

    c. Request justification must discuss the impact on State programs and State funding from all means of financing.

d. To meet strict accountability requirements of the ARRA, the request should also discuss how the federal ARRA intent and purpose will be met.

e. Submit your requests no later than March 20, 2009.

f. Concurrently, departments must submit their applications for ARRA funds to appropriate federal authorities as required per instructions from the Governor's Office.

2. In the case of competitive grants or in areas where information is still uncertain, requests for ARRA funding and authorization will be submitted at the time when the proposed plans can be finalized. The same procedure as in #1 shall apply to requests submitted in time for consideration during the 2009 Legislative Session.

   After adjournment of the Legislature, requests for federal fund expenditure in excess of levels authorized by the Legislature are governed by a budget proviso, such as specified in Section 167 of the General Appropriations Act of 2007 (Act 213, SLH 2007). The same proviso is expected to be authorized for FB 2009-11. A similar proviso for CIP requests will be recommended to the Legislature.

3. According to a memorandum from the federal Office of Management and Budget (OMB), a separate tracking system for federal stimulus expenditures will be necessary. Such requirements are being considered by the Department of Accounting and General Services and will be communicated to you at a later date.

Please contact the B&F analysts assigned to your departments if there are questions. Attached are the forms and other general information relating to the federal stimulus package that you may find helpful.

Attachments

Excerpts from

STATE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT

A National Governors Association Report

February 24, 2009

APPEDIX A: COUNTERCYCLICAL FUNDS

In the midst of a deepening national recession, states can play a critical role in determining when the economy will start to recover. Because states must balance their budgets every year, when faced with falling revenues from an economic crisis, states must reduce spending or raise taxes—options that further exacerbate the effects of a downturn. Federal investments to stimulate the economy and speed recovery must therefore include flexible funds so that states can postpone planned budget cuts.

The two largest components of state budgets are health care and education. The scope of the financial crisis means these core services are subject to cuts to meet balanced budget requirements. The ARRA contains several provisions to support these services and reduce the need for cuts to these programs. States will receive approximately $87 billion in funding through enhancements of the Federal Medical Assistance Percentage (FMAP), $53.6 billion through a new State Fiscal Stabilization Fund for education and other critical government services, and $26 billion for Title I and special education.

COUNTERCYCLICAL FUNDING

Federal Dept.	**Program Title or Description**	**ARRA Appropriations (in millions of dollars)**		**Comments**
		FY08	***ARRA***	
EDU	State Fiscal Stabilization Fund	----	53,600	Grants to governors based on population to support (1) elementary, secondary and higher education (81.8% of allocation); and (2) public safety and other government services, which may include education (18.2% of allocation). Funds may be used in state FYs 2009, 2010, and 2011. Governors must submit an application including assurances. Funds also reserved for a new state Incentive Fund at Secretary's discretion. Governors may also seek fiscal and regulatory relief from other federal education programs.
EDU	NCLB Title I Grants to LEAs	13,900	13,000	$5 billion each for NCLB sections 1125 and 1125A. $3 billion for school improvement grants section 1003 (g). Use funds for 2009-2010 and 2010-2001 school year.
EDU	Special Education IDEA	11,760	12,200	$11.7 billion Part B Grants $500 million Part C grants Use funds for 2009-2010 2010-2011 school year
HHS	Child Support Enforcement	0	1,000	2-year restoration of federal incentive match
HHS-CMS	Enhanced Medicaid FMAP	191 Bil. (FY07)	87,000	27-month provision Broad eligibility MOE Prompt pay enforcement
HHS-CMS	Medicaid Disproportionate Share Hospitals (DSH) payments		500	2.5% increase in FY 2009-2010 allotments

APPENDIX B: APPROPRIATED PROGRAMS

This category of funding will increase direct spending to help create jobs. To ensure that these funds are used quickly, Congress included provisions that require federal agencies to make both formula and competitive funds available to grant recipients on an accelerated schedule. At the same time, the legislation requires grant funds to be obligated by September 30, 2010, unless other timelines are established in the legislation for a specific program. In addition, the legislation also includes program-specific use-it-or-lose-it clauses that require states to obligate available funding within a specified timeframe to prevent reappropriation to other states.

These categorical grants do not provide much state flexibility in determining how the funds can be spent and are therefore unlikely to offset state shortfalls.

In most cases, the use of these funds will not require changes in authorizing legislation at the state level. However, individual programs may require changes in state policies or law, and many states may need legislation to appropriate the increased funds.

DIRECT APPROPRIATIONS

Federal Dept.	Program Title or Description	ARRA Appropriations (in millions of dollars)		Comments
		FY08	*ARRA*	
Comm.	National Telecommunications and Information Administration's (NTIA) Broadband Technology Opportunities Program	N/A	4,350	Available until 9/30/10 for competitive grants to increase broadband deployment; requires 20% match unless waived,
Comm.	NTIA Broadband Mapping grants	N/A	350	Only one grantee per state, designated by the state,
DOT	Office of the Secretary - Supplemental Discretionary Grants for a National Surface Transportation System	N/A	1,500	New discretionary grant program for projects that will have a significant impact on the nation, metro area, or region. Eligible grantees include states, localities, and transit agencies; grants range between $20M-$300M. Not more than 20% of these funds may go to projects in a single state; eligible projects include highway, bridge, public transportation, passenger and freight rail, and port infrastructure. SecDOT to publish criteria for selection process within 90 days of enactment. All applications due to SecDOT within 180 days of enactment. All funding awarded within one year; money must be obligated by recipients by 9/30/10.
EDU	Educational Technology Grants	267.5	650	Formula grants to states and local schools. Use funds for 2009-2010 and 2010-2011 school year,
EDU	Teacher Incentive Fund	97.3	200	Competitive grant to states.

EDU	McKinney-Vento Homeless Act	64	70	Formula grants to states with a pass through to locals.
EDU	Teacher Quality Enhancement	33.7	100	Competitive grant to states.
EDU	Statewide Data Systems (P-16) Alignment	48.3	250	Competitive grant to states. Up to $5 million for state data coordinators and awards for public or private organizations to improve data coordination.
Energy	Weatherization Assistance Grant	227	5,000	Raises eligibility threshold from 150% to 200% of poverty. Increases maximum grant from $2,500 to $6,500. All funds must be obligated by 9/30/10.
Energy	State Energy Program	44	3,100	Requires governors to: work with utilities to implement a general policy that ensures utilities provide financial incentives to help customers use energy more efficiently; adopt residential and commercial building codes that exceed specified standards; give priority to projects that include an expansion of existing energy efficiency programs; expand existing support for renewable energy projects and deployment activities; and cooperate in joint activities among states to support energy efficiency priorities. All funds must be obligated by 9/30/10.
Energy	Energy Efficiency and Conservation Block Grant	0	2,800	The State Energy Programs receive approximately 12% of these funds. Another 16% must be passed through to towns of fewer than 35,000 residents or counties of less than 200,000. All funds must be obligated by 9/30/10.
Energy	Alternative Fueled Vehicles Pilot Program	0	300	Available to states, localities, and metropolitan transportation authorities. Must include a Clean Cities Initiative participant. Funds alternative fuel, fuel cell, and ultra-low-sulfur diesel vehicles, fueling infrastructure, and O&M of vehicles or equipment. All funds must be obligated by 9/30/10.
Energy	Transportation Electrification	0	400	Available to states, localities, and metropolitan transportation authorities. All funds must be obligated by 9/30/10.
EPA	Clean Water State Revolving Loan Fund	700	4,000	The Administrator shall reallocate funds where projects are not under contract or construction within 12 months. Priority funding must be given to projects on the state priority list that can be under construction within 12 months. Further, states must use 50 percent of the funds for grants, negative interest loans, and principal forgiveness. Not less than 20% of the SRFS fund must devoted to specific project types specified in the legislation. Funds cannot be used to purchase land or easements. Funds may be used to buy, refinance, or restructure existing debt obligations incurred on or after 10/01/08. The bill would waive the 20% state match requirement.
EPA	Drinking Water State Revolving Loan Fund	842	2,000	See above.

EPA	Leaking Underground Storage Tanks	107	200	State cost share has been waived. All funds must be obligated by 9/30/10.
EPA	Brownfields	95	100	All funds must be obligated by 9/30/10.
EPA	Superfund Hazardous Waste	1,270	600	States are eligible for grants to conduct site assessments. All funds must be obligated by 9/30/10.
EPA	Diesel Emission Reduction Act	49.5	300	States receive 30% of these funds. All funds must be obligated by 9/30/10.
FAA	Grants-In-Aid for Airports (AIP)	3,500	1,100	Discretionary grant program. Grantees are primarily local governments that run airports. Priority to projects that can be completed within 2 years of enactment.
FHWA	Highway Infrastructure Investment	38,900	27,500 -840 million in top-of-line set-asides	Distributed by formula to states; 30% of state apportionment must be suballocated within the state by population. 3% is set aside for Transportation Enhancements. Funds must be apportioned within 21 days of enactment. States must obligate first 50% within 120 days of apportionment. States given 1 year to obligate remaining 50% of funds. Suballocated funds must be obligated within 1 year.
FRA	High-Speed Rail Corridors and Intercity Passenger Rail	0	8,000	Discretionary grants. SecDOT must submit a "strategic plan" to Congress for the program within 60 days of enactment. SecDOT to issue interim regulations within 120 days of enactment. Projects will not need to be included on a state rail plan. Funds must be obligated by 09/30/12.
FRA	Capital Grants to Amtrak	470	850	$450 million for capital security grants; $850 million for capital grants. No funds may be used for operating costs. Not more than 60%/grants may go toward Northeast Corridor projects.
FTA	Transit Capital Assistance	7,700	6,900	$100 million set aside for discretionary grants to reduce energy consumption of public trans systems. Remaining funds must be apportioned to states and transit agencies by formula within 21 days of enactment. 50% of funds must be obligated within 180 days of apportionment; remaining 50% must be obligated within 1 year.
FTA	Fixed Guideway Infrastructure	1,300	750	Distributed by formula to states and transit agencies. Funds must be apportioned to states and transit agencies within 21 days of enactment. 50% of funds must be obligated within 180 days of apportionment; remaining 50% must be obligated within 1 year.
FTA	Capital Investment Grants	1,560	750	Discretionary grants to transit agencies for approved and existing New Starts and Small Starts projects.
HHS-CDC	Prevention & Wellness fund		1,000	Funds targeted to programs largely at discretion of CDC/HHS
HUD	Public and Indian Housing - Public Housing Capital Fund	2,440	4,000	$3billion to public housing agencies by formula; $1billion to PHAs in competitive grants.
HUD	Community Development Block Grant	3,590	1,000	
HUD	Neighborhood Stabilization Program	N/A	2,000	Competitive grants to states, local government, and nonprofits.

Interior	Wildfire Hazard Reduction	358	500	Increases funds for state and private lands from $48 million to $250 million. The state cost share is waived. All funds must be obligated by 9/30/10.
Justice	Byrne JAG	170.4	2,000	Formula grants; available FY09-FY10.
Justice	Byrne competitive grants	16	225	Competitive grants; available FY09-FY10.
Justice	Violence Against Women	183.8	225	Formula grants; $50 million for transitional housing assistance; available FY09-FY10.
Justice	Victim compensation	0	100	Formula grants; available FY09-FY10.
Labor	WIA Adult Program	849	500	Formula grants to states available for obligation on date of enactment.
Labor	WIA Youth Program	924	1,200	Formula grants to states available for obligation on date of enactment. Funding includes summer jobs programs. Bill changes the eligibility age from 21 to 24 years.
Labor	WIA Dislocated Worker	1,117	1,250	Formula grants to states available for obligation on date of enactment.
Labor	Community Service Employment for Older Americans	522	120	22% of the funds are allocated to States, and 78% go to national organizations that compete to provide services. Funds for existing Community Service Employment Program (CSEP) grantees available for obligation on date of enactment.
Labor	WIA Dislocated Worker National Reserve	402	200	Secretary's discretionary funding for National Emergency Grants (NEGs) to states.
Labor	High Growth and Emerging Industry Grants	0	750	Competitive grants to states for worker training and placement in high growth and emerging industries. $500 million is reserved for energy efficiency and renewable energy sectors.
Labor	State Employment Service	703	400	Formula grants to states. $250 million is designated for Reemployment Service Grants (RES) to serve Unemployment Insurance recipients.
Labor	Extension of Unemployment Benefits	----	----	Provides qualifying individuals with 20 weeks of federally funded extended UI benefits and 13 additional weeks in high unemployment states thru 12/31/2009.
Labor	Weekly Unemployment Insurance Benefit Increase	-----	-----	States voluntarily select to increase state UI benefits by $25/ week/eligible individual thru 12/31/2009. Full reimbursement paid to states by the federal government.
Labor	Unemployment Insurance Modernization	0	500	Special transfers to state UI accounts for FY2009 for administration.
Labor	Unemployment Insurance Modernization	0	7,000	Incentive grants to states for enacting UI reforms. To access incentive funds, the state must currently have specific unemployment laws or enact specific legislative changes.
Labor	State Loans from Federal Unemployment Account	----	----	Temporarily waives interest accrual and interest payments on state loans from the FUA used to pay state Unemployment Insurance benefits. The provision is in effect from the date of enactment to 12/31/10.

Labor	Trade Adjustment Assistance - Training	220	575	Expands TAA and Alternative TAA ("*wage insurance*" for older workers) for qualifying trade-affected individuals and extends reauthorization thru 12/31/2010.
Labor	Trade Adjustment Assistance - Communities	0	180	Discretionary grants to states for a new Sector Partnerships Program and Community College and Career Training Program.
Labor	Trade Adjustment Assistance – Case management	0	350,000 thousnd per state	Set grant amount provided to each state for case management services.
USDA	Rural Broadband Infrastructure: USDA – Rural Utilities Service	6.4	2,500	Loans, grants, and loan guarantees for open access broadband infrastructure projects that serve rural areas primarily; projects funded are ineligible for funding under the Broadband Technology Opportunities Program; states are specifically eligible for grants - historically the money for loan and loan guarantees has been designated for other entities. 15% match requirement for grants.
VA	State Extended Care Facilities Grants	175	150	Competitive grants; available FY09-FY10.

APPENDIX C: SAFETY NET

The ARRA provides significant funding increases for a number of human services, health, employment and other safety net programs. This additional support is intended to provide relief for lower-income families and others hardest hit by the recession. In addition, the funding will assist fiscally constrained state and local governments as they manage administrative and operational challenges stemming from the rise in demand for programs and services. Economists agree that increased assistance to low-income families has the most immediate stimulative effect on the economy because those with the least amount of financial security traditionally engage in more immediate consumption and are less likely to divert those resources into savings or debt reduction. Safety net programs also provide education and training for America's workforce, ensuring that there is a supply of qualified workers as new jobs become available.

SAFETY NET PROGRAMS

Federal Dept.	Program Title or Description	ARRA Appropriations (in millions of dollars)		Comments
		FY08	*ARRA*	
AG	Supplemental Nutrition Assistance Program (SNAP)	39,700	20,000	13.6% benefit increase, plus grants to states for administration ($145 million for FY09 and $150 million for FY10.
EDU	Rehabilitation Services and Assistance	3,280	680	540 million for state grants under part B of title I of the Rehabilitation Act $140 million for state grants for independent living under parts B and C of chapter 1 and chapter 2 of title VII of the Rehabilitation Act
HHS-ACF	Temporary Assistance for Needy Families (TANF)	16,500	5,000	Grants to states experiencing increases in caseload or expenditures and 2-year extension of supplemental grants.
HHS-ACF	Child Care Development Block Grant (CCDBG)	2,000	2,000	
HHS-ACF	Community Services Block Grant (CSBG)	654	1,000	
HHS-CMS	Transitional Medical Assistance (TMA) extension	1,000	1,300	Extension of otherwise expiring current law for 7/1/09-12/30/10. State legislative approval may be needed.
HHS-CMS	Qualifying Individuals (QI-1) extension	500	550	Extension of otherwise expiring current law for 1/1/10-12/30/10
HUD	Public and Indian Housing - Public Housing Capital Fund	2,440	4,000	$3billion to public housing agencies by formula; $1billion to PHAs in competitive grants.
HUD	HOME Investment Partnerships	1,700	2,250	
HUD	Homelessness Prevention Fund	1,580	1,500	
HUD	Neighborhood Stabilization Program	N/A	2,000	Competitive grants to states, local government, and nonprofits.
Labor	Extension of Unemployment Benefits			20 weeks of federally funded extended benefits; 13 additional weeks in high unemployment states.

APPENDIX D: FOUNDATIONS FOR ECONOMIC GROWTH

Introduction

As mentioned, AARA provides states an unprecedented opportunity to build the types of foundations that are critical to economic growth and competitiveness in a global economy. These foundations are important because they provide the basis for long-run job and productivity growth. The four areas are described briefly below. Every state should strongly consider establishing a strategic planning effort for each area to maximize public and private investments; avoid duplication or conflicts; and coordinate activities across a wide array of institutions, including businesses, universities, community colleges, and research centers.

Alternative Energy, Energy Efficiency, and Green Jobs

- Numerous alternative energy, energy efficiency, and green jobs programs are included in the ARRA, totaling some $25 Billion, not including funds for school construction. They fall mainly under the Department of Energy but also involve the departments of Education, Labor, and Housing and Urban Development. They span the areas of alternative energy development; energy efficiency improvements to homes, schools, and industry; smart grid and transmission enhancements; fossil energy R&D; alternative fueled vehicles; and workforce programs to promote green jobs (i.e., careers in energy efficiency and alternative energy). States would be eligible recipients in 14 of the 20 programs identified. Remaining programs target businesses, universities, or non-state entities that could support state efforts and may call for state-sponsored outreach and technical assistance efforts. In addition, the legislation contains a dozen tax credit, bond, and loan guarantee measures supporting alternative energy development, energy conservation, energy research, and development.

- Many of the ARRA provisions entail enhancements to existing programs; however, some of the enhancements represent substantial increases to current funding and will require expansions, as in the case of State Energy Program (a 70-fold increase over FY08 appropriation) and the Weatherization Program (a 20-fold increase over FY08 appropriation). In addition, there are some new programs like the Energy Efficiency and Conservation Block Grants that will need to be established. The most significant flexible addition would be funds provided to the State Energy Program, which can be utilized to pursue a wide range of activities.

- Governors will face three major issues specific to this area of funding:
    - First, governors may want to consider whether the current structure of their state energy office needs to be enhanced, including elevating it to a cabinet level, as has been done in about a dozen states. Through the ARRA, state energy offices will receive considerable increases in funding and responsibility. In addition, they will need to be able to coordinate state efforts across a wide range of agencies and stakeholders and with local entities.
    - Second, governors may need to prioritize some portion of the more flexible energy funding and leverage existing programs to assist with energy workforce development. Successfully spending the ARRA funds will hinge on having an adequate number of trained energy workers available to conduct energy audits; install renewable energy devices, insulation, advanced lighting, HVAC, and other technologies; and perform operations and maintenance functions. This is in addition to the upstream demands on manufacturing that will be generated. Some ARRA funds are available to support workforce development, but demand already outpaces supply in some states, and the rise in demand nationally will further strain the system.
    - Third, to receive a portion of the energy related funding, governors will need to provide written assurances that the appropriate state or local bodies in their state are pursuing actions on electricity sector rate "decoupling" (adjusting utility profits to be independent of electricity sold) and state energy building code enhancements.. This will entail the governor taking actions

such as petitioning the state public utility regulatory body to implement decoupling and encouraging the state legislature to upgrade state residential and commercial energy building codes.

Health Information Technology (Health IT)

- The ARRA has three major components relating to the development of health IT that will be of interest to states: (1) a grant program for states (or state-designated entities) to plan for and help build an electronic health records (HER) exchange; (2) a loan program, to be administered by states, to help providers purchase the equipment they need to "plug into" the exchange; and (3) financial assistance to providers through Medicaid for the purchase and use of health IT equipment, with no matching funds required.

- The bill gives the states a great deal of responsibility for planning and helping create a nationwide EHR exchange. States will need to develop capacity in their Medicaid programs and other agencies to deliver and oversee the provider payments for EHRs.

- States receiving health IT grants will need to move quickly to create a business and oversight plan for the exchange—which includes choosing how patient records will be transmitted, stored, and protected and how the exchange will be financed. It appears that the grants could also be used to purchase and house the exchange directly or support industry-based construction.

- Governors will need to focus on three major activities to get the full advantage of this funding: (1) Agency capacity and potential legislation will be needed to get the Medicaid-based incentives implemented and ensure accountability; (2) states should immediately begin planning with stakeholders how to govern an EHR exchange and how to ensure standards-based purchases by providers; and (3) states will need to work with HHS and begin their own planning efforts to design grant and loan programs that reflect state interests and contribute to other health care reform efforts.

Broadband

- The ARRA includes $7.2 billion for broadband-related provisions. Of this amount, $2.5 billion will flow through the U.S. Department of Agriculture's Rural Utilities Services Distance Learning, Telemedicine, and Broadband Program to be used for building broadband infrastructure in rural areas without sufficient access to high-speed broadband service. The remaining amount, $4.7 billion, will flow through the U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA) Broadband Technology Opportunities Program (TOP) to provide funds for accelerating broadband deployment in unserved and underserved communities and to strategic institutions that are likely to create jobs or provide significant public benefits.

- Given the economic impact of investing in broadband, these programs could be very beneficial to states in terms of economic development. The Information Technology & Innovation Foundation estimates that 498,000 total jobs will be created from a $10 billion investment in broadband infrastructure. Connected Nation projects that a 7 percent rise in broadband adoption would create 2.4 million U.S. jobs, with an annual economic benefit of $134 billion.

- States are to use grant funds primarily for building out broadband services to rural, unserved, and underserved communities; expand awareness, education, and training; and identify and track the availability and adoption of broadband services. NTIA is tasked with developing and maintaining a nationwide broadband inventory map.

- Governors will need to move quickly in the following areas:
  - Create a Strategic Plan: Because states are only one eligible entity under these grant programs, governors should quickly designate a broadband advisor or agency to assemble potential grantees and other stakeholders. These stakeholders will create a "high-level" strategic plan for broadband deployment to coordinate investments. Many governors have already created a broadband advisory group. The task is to ensure the right people are included and that the governor assigns the strategic planning assignment with the goal of expanding broadband to rural areas. States should utilize existing public-private partnerships and/or form new ones that will be most effective in building out broadband service. It is also important for stakeholders to assess rural accessibility in relation to what service is provided to urban/suburban areas. This will help to coordinate existing investments with those provided by the stimulus.
  - Create a Statewide Broadband Inventory Map: With funds available through the grant programs, governors should task the broadband advisor with creating a state broadband availability map to identify unserved and underserved areas. Governors can use this map to inform decisionmaking about where the investments in broadband should be focused. States should quickly gather existing availability information from service providers that will feed into the strategic planning.

Research and Development

- Because most states have strategies to build innovation capacity to spur long-term economic growth, they should be aware that ARRA includes increased federal investment in research and development, research equipment, and research facilities. Overall, there may be as much as $21.5 billion in new federal R&D money, including $18 billion for research and $3.5 billion for R&D facilities. The majority of this money will be available to universities and research institutes and awarded through a competitive process run by federal agencies such as National Science Foundation, National Institutes of Health, and Department of Energy.

- The key requirements and issues for states to consider include:
  - States may want to use the additional R&D and infrastructure funding to enhance the strengths of their universities and research institutes or seek to build new institutes where the opportunity exists.
  - States will need to act quickly. Nearly all of the funding will be awarded within 120 days of when the President signs the bill into law, with staggered deadlines of 30 days for formula funds, 90 days for competitive grants, and 120 days for competitive grants in brand-new programs.
  - As a result, governors may want to coordinate in-state efforts by universities, research institutes, and industry to pursue these new funds.
  - No state match is required for research grants; state or university matching is required for most construction and equipment grants.

APPENDIX E: FEDERAL TAX CHANGES

Nearly 40 percent of the ARRA is dedicated to tax law changes to promote private investment, provide tax relief to individuals, and loosen credit markets. Although the tax provisions deal with federal taxes, those states coupled with federal income tax laws may experience revenue losses from some of the tax law changes. The act also includes provisions meant to address the difficulty states are experiencing in raising capital. Even highly rated public issuers now wait longer and offer higher interest rates than before to attract investors. Several provisions in the ARRA are intended to boost the public bond market through new tax credit programs and changes to existing bond programs that could loosen credit markets and encourage more public issuers to go to market.

TAXES/BONDS				
Federal Dept.	**Program Title or Description**	**ARRA Appropriations (in millions of dollars)**		**Comments**
		FY08	***ARRA***	
TAX PROVISIONS				
INDIVIDUALS				
IRS	Sales Tax Deduction for Vehicle Purchases		1,684	Provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009.
IRS	Temporary Suspension of taxation of unemployment benefits		4,740	Temporarily suspends federal income tax on the first $2,400 of unemployment benefits per recipient.
HOUSING				
IRS	Low-income housing grants in lieu of tax credits		3,006	Permits states to elect to substitute a portion of low-income housing credit allocation for 2009 for grants. State housing agencies would receive a grant equal to up to 85% of 40% of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received.
BUSINESS				
IRS	Extension/bonus depreciation		5,074	Extends authority for business to recover the costs of capital expenditures made in 2009 by allowing them to immediately write off 50% of cost.
IRS	Extend/enhanced small business expensing		41	Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to $250,000 and increased the phase-out threshold for 2008 to $800,000. The act extends these temporary increases for capital expenditures incurred in 2009.
IRS	5Y NOL carry-back		947	For 2008 and 2009, the act extends the maximum carryback period for net operating losses from 2 years to 5 years.

STATE & LOCAL	*Bond Provisions Generally*			*Note: The Act mandates that wage requirements under the* Davis-Bacon Act *apply to the Recovery Zone Economic Development Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, Clean Renewable Energy Bonds and the Qualified Energy Conservation Bonds.*
IRS	De Minimus Safe Harbor Exception		3234	Allows banks to deduct 80% of the carrying costs of purchasing all types of tax exempt bonds issued in 2009 and 2010 provided no more than 2% of a bank's assets comprise those bonds..
IRS	"Qualified Small Issuer" Exception			Encourages financial institutions to invest in tax-exempt bonds issued in 2009 and 2010 by raising the annual issuance threshold for qualified small issuers to $30 million from $10 million.
IRS	Temporary Modification of AMT Limit		555	Eliminates the application of the AMT on all bonds issued in 2009 and 2010, including refunding of bonds that were initially issued after 2003.
IRS	Withholding Tax on Government Contractors		291	Delays until 2012 law requiring withholding at a three percent rate on certain payments to persons providing property or services made by federal, state, and local governments.
IRS	AMT exclusion/all Private activity tax exempt bonds		555	Excludes interest earned on all private activity tax exempt bonds issued during 2009 and 2010, including the refunding of bonds issued after 2003, from the alternative minimum tax (AMT).
IRS	Qualified School Construction Bonds		9,970	Creates new category/tax credit bonds to finance repair/renovation (existing schools) and build new public schools; 11 billion annual allotment for 2009-2010 (60%/states; 40%/large school districts).
IRS	Qualified Zone Activity Bonds (QZABs)		1,000	Increases to $1.4 billion annual issuing authority (2009-2010)/states for bonds to finance repair/renovation; financing new construction is ineligible use.
IRS	Taxable Bond Option for state/locals (Build America Bonds)		4,348	New option for states to issue taxable rather than tax-exempt bonds for 2009 and 2010; issuer may opt to receive direct federal payment (35%/interest costs) for 2009 and 2010 issues in lieu of interest subsidy/35% refundable tax credit to investor.

IRS	Recovery Zone Bonds		5,371	New taxable (Recovery Zone Economic Development bonds/$10 billion annual allocation) and tax-exempt (Recovery Zone Facility private activity/$15 billion annual allocation) categories for use in "recovery zones," which are designated areas with significant unemployment, poverty, and home foreclosure rates. Both bond categories allocated to the states in proportion to their respective 2008 job losses, with sub-allocations to counties and large municipalities within a state also made based on relative job losses. States would receive a minimum allocation of .9%. Bonds must be issued by01/01/11. For taxable bonds state issuer would receive a 45 percent reimbursement of interest paid, with no option to apply the credit to investors.
ENERGY	Clean renewable energy bonds (CREB) for State and local governments		578	Increases annual allotment by $1.6 billion for existing tax credit authority used to finance renewable energy facilities. States, local, and tribal governments eligible for one-third of annual allocation; remainder to public power providers and electric cooperatives.
IRS	Energy Conservation Bonds		803	Increases annual allotment by $2.4 billion for existing tax credit bond authority for green community programs, including financing loans to homeowners for energy retrofits.
IRS	Addition of Permanent Sequestration Requirement to CO2 Capture Tax Credit		0	Requires that any taxpayer claiming the $10 credit per ton for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation.

FORM A-1

Date Prepared/Revised:

FB 09-11 BUDGET
OPERATING BUDGET ADJUSTMENT REQUEST - FEDERAL STIMULUS
DEPARTMENT OF

Department Priority _____

Request Category:
Fixed Cost/Entitlement _____
Health, Safety, Court Mandates _____
Trade-Off/Transfer (+)___ (-) ___
Governor's Program Initiatives (+)___ (-) ___
Recurring Costs _____
Reduction _____
Federal Stimulus _____
Other _____

Program ID/Org. Code:
Program Title:

Department Contact: Phone:

I. TITLE OF REQUEST:

Description of Request:

II. OPERATING COST SUMMARY

	Emergency Appn (if approved)			Governor's Budget Message (if approved)									
	FY 09 Request			FY 10 Request			FY 11 Request			FY 12	FY 13	FY 14	FY 15
	FTE (P)	FTE (T)	($)	FTE (P)	FTE (T)	($)	FTE (P)	FTE (T)	($)	($ thous)	($ thous)	($ thous)	($ thous)
A. Personal Services													
B. Other Current Expenses													
C. Equipment													
L. Current Lease Payments													
M. Motor Vehicles													
TOTAL REQUEST	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0

By MOF:
A
B
N
R
S
T
U
W
X

FORM A-1

Date Prepared/Revised:

FB 09-11 BUDGET
OPERATING BUDGET ADJUSTMENT REQUEST - FEDERAL STIMULUS
DEPARTMENT OF

III. OPERATING COST DETAILS

		Emergency Appn (if approved)			Governor's Budget Message (if approved)									
		FY 09 Request			FY 10 Request			FY 11 Request			FY 12	FY 13	FY 14	FY 15
	MOF	FTE (P)	FTE (T)	($)	FTE (P)	FTE (T)	($)	FTE (P)	FTE (T)	($)	($ thous)	($ thous)	($ thous)	($ thous)
A. Personal Services (List all positions)														
Position Title, SR														
Other Personal Services														
Fringe Benefits														
Turnover Savings														
Subtotal Personal Service Costs		0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0
By MOF	A	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0
	B	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0
	N	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0
B. Other Current Expenses (List by line item)														
Subtotal Other Current Expenses				0			0			0	0	0	0	0
By MOF	A			0			0			0	0	0	0	0
	B			0			0			0	0	0	0	0
	N			0			0			0	0	0	0	0
C. Equipment (List by line item)														
Subtotal Equipment				0			0			0	0	0	0	0
By MOF	A			0			0			0	0	0	0	0
	B			0			0			0	0	0	0	0
	N			0			0			0	0	0	0	0
L. Current Lease Payments (Note each lease)														
Subtotal Current Lease Payments				0			0			0	0	0	0	0
By MOF	A			0			0			0	0	0	0	0
	B			0			0			0	0	0	0	0
	N			0			0			0	0	0	0	0
M. Motor Vehicles (List Vehicles)														
Subtotal Motor Vehicles				0			0			0	0	0	0	0
By MOF	A			0			0			0	0	0	0	0
	B			0			0			0	0	0	0	0
	N			0			0			0	0	0	0	0
TOTAL REQUEST		0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0	0	0	0

FORM A-1

Date Prepared/Revised:

FB 09-11 BUDGET
OPERATING BUDGET ADJUSTMENT REQUEST - FEDERAL STIMULUS
DEPARTMENT OF

IV. JUSTIFICATION OF REQUEST / IMPACT ON STATE FUNDS (e.g. SHORT TERM AND LONG TERM, HOW DEPT ENVISIONS USING STIMULUS FUNDS, etc.)

V. RELATIONSHIP OF THE REQUEST TO STATE PLAN OR FUNCTIONAL PLAN

VI. ELECTRONIC DATA PROCESSING

VII. IMPACT ON OTHER STATE PROGRAMS/AGENCIES

VIII. IMPACT ON FACILITY REQUIREMENTS (R&M, CIP)

IX. EXTERNAL CONFORMANCE REQUIREMENTS (e.g. SPECIFIC REQUIREMENTS, CONDITIONS, AND/OR LIMITATIONS ASSOCIATED WITH OBTAINING FUNDS, etc.)

X. REQUIRED LEGISLATION (Please specify appropriate statutes; i.e., HRS)

XI. OTHER COMMENTS (e.g. TIMEFRAME FOR OBTAINING OR APPLYING FOR FEDERAL FUNDS, HOW FEDERAL INTENT AND PURPOSE WILL BE MET, etc.)

Date Prepared/Revised:

FB 09-11 BUDGET
DEPARTMENT SUMMARY OF OPERATING BUDGET ADJUSTMENT REQUESTS - FEDERAL STIMULUS
DEPARTMENT OF

						Emergency Appn (if approved)			Governor's Budget Message (if approved)					
						FY 09			FY 10			FY 11		
Req Cat	B&F Code	Prog ID/Org	Dept Pri	Description	MOF	FTE (P)	FTE (T)	$ Amount	FTE (P)	FTE (T)	$ Amount	FTE (P)	FTE (T)	$ Amount
FEDERAL STIMULUS														
TOTAL FEDERAL STIMULUS:						-	-	-	-	-	-	-	-	-
By MOF														
General					A	-	-	-	-	-	-	-	-	-
Special					B	-	-	-	-	-	-	-	-	-
Federal					N	-	-	-	-	-	-	-	-	-
Private					R	-	-	-	-	-	-	-	-	-
County					S	-	-	-	-	-	-	-	-	-
Trust					T	-	-	-	-	-	-	-	-	-
Inter-departmental Transfer					U	-	-	-	-	-	-	-	-	-
Revolving					W	-	-	-	-	-	-	-	-	-
Other					X	-	-	-	-	-	-	-	-	-

TABLE P-1 CAPITAL PROJECT DETAILS (FEDERAL STIMULUS)

PROGRAM ID			CAPITAL PROJECT NUMBER				Senate District	Priority Number	Island Code	Representative District	PROJECT SCOPE
DEPT.	NUMBER										
1 3	4 6	7	8 13	17	18	19	20 21	22 25	26	27 28 29	30
		P			0	0					

PROJECT SCOPE CODES
N- New
I- Renovation
A- Addition
R- Replacement
O- Other

TR	LINE	PROJECT TITLE (MAXIMUM 45 CHARACTERS PER LINE)
17	18 19	20 25 30 35 40 45 50 55 60 64
	01	
	02	

NOTE;
A TABLE P AND Q
MUST BE SUBMITTED
FOR EACH CAPITAL PROJECT

TR	LINE	PROJECT DESCRIPTION (SIZE, CAPACITY, CONSTRUCTION DETAILS, PURPOSE, ETC.) (MAXIMUM 60 CHARACTERS PER LINE)
17	18 19	20 25 30 35 40 45 50 55 60 65 70 75 79
	03	
	04	
	05	
	06	
	07	
	08	
	09	

CHECK ONE:
1% FOR WORKS OF ART IS INCLUDED IN THE CONSTRUCTION COST ELEMENT (LINE 13)
☐ YES ☐ NO

REQUIRED APPROPRIATIONS (in Thousands of Dollars)

PART I BY ELEMENT	TR	LINE	MOF	PRIOR YEARS	FY 2008	FY 2009	BUDGET PERIOD FY 2010	BUDGET PERIOD FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	SUCCEEDING YEARS
	17	18 19	20	21 26	27 32	33 38	39 44	45 50	51 56	57 62	63 68	69 74	75 80
PLANS		10											
LAND		11											
DESIGN		12											
CONSTRUCTION		13											
EQUIPMENT		14											
TOTAL COST	(LINES 10-14)												
PART II		15											
BY		16											
MEANS		17											
OF		18											
FINANCING		19											
TOTAL COST	(LINES 15-19)												

MEANS OF FINANCING CODES FOR COL. 20 (MOF
A-GENERAL FUND
B-SPECIAL FUND
C-GO BONDS
D-GO BONDS REPAID
E-REVENUE BONDS
J-FED AND INTERSTATE
D-FED AND PRIMARY
L-FED AND SECONDARY
M-FED AND URBAN
N- OTHER FED FUNDS
P-FED REV SHARING
R-PRIVATE CONTRIBUTIONS
S-COUNTY FUNDS
T-TRUST FUNDS
U-INTERDEPT TRANSFER
W-REVOLVING FUND
X-OTHER FUNDS

TABLE Q–1 CAPITAL PROJECT DETAILS (FEDERAL STIMULUS)

PROGRAM ID			CAPITAL PROJECT NUMBER
DEPT	NUMBER		
1 3	4 6	7	8 13
		Q	

TR	LINE	PHASE	IMPLEMENTATION SCHEDULE											
			START DATES						COMPLETION DATES					
			ORIGINAL		CURRENT		ACTUAL		ORIGINAL		CURRENT		ACTUAL	
			MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR	MONTH	YEAR
17	18 19		20 21	22 23	24 25	26 27	28 29	30 31	32 33	34 35	36 37	38 39	40 41	42 43
	0 1	PLANS												
	0 2	SITE SELECTION												
	0 3	SITE ACQUISITION												
	0 4	DESIGN												
	0 5	CONSTRUCTION												
	0 6	EQUIPMENT												
	0 7	OCCUPANCY												

TR	LINE	COST ELEMENT	COST ESTIMATES ($1,000"S) ORIGINAL	CURRENT	FINAL COST ($1,000'S)
17	18 19		20 25	26 31	32 37
	2 0	PLANS			
	2 1	LAND ACQUISITION			
	2 2	DESIGN			
	2 3	CONSTRUCTION			
	2 4	EQUIPMENT			
		TOTALS:	0	0	0

TR	LINE	STATE APPROPRIATIONS ($1,000'S)								
		APPROPRIATIONS ACT			TOTAL	PLANS	LAND	DESIGN	CONSTRUCTION	EQUIPMENT
		YEAR	NUMBER	ITEM						
17	18	20 21	22 24	25 34	35 40	41 46	47 52	53 58	59 64	65 70
	2 5				0					
	2 6				0					
	2 7				0					
	2 8				0					
	2 9				0					
	3 0				0					
	3 1				0					
	3 2				0					
	3 3				0					
	3 4				0					
	3 5				0					
	3 6				0					
	3 7				0					
	3 8				0					

TR	LINE (CARD)	EFFECT ON OPERATING BUDGET ($1,000'S)							
		SALARIES		MAINTENANCE		OTHER EXPENSE		UTILITIES	
		+ / -	AMOUNT	+ / -	AMOUNT	+ / -	AMOUNT	+ / -	AMOUNT
17	18 19	20	21 25	26	27 31	32	33 37	38	39 43
	0 8								

EXPECTED EXPENDITURES (in Thousands of Dollars)

PART I BY ELEMENT	TR	LINE	MOF	PRIOR YEARS	FY 2008	FY 2009	BUDGET PERIOD FY 2010	BUDGET PERIOD FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	SUCCEEDING YEARS
	17	18 19	20	21 26	27 32	33 38	39 44	45 50	51 56	57 62	63 68	69 74	75 80
PLANS		1 0											
LAND		1 1											
DESIGN		1 2											
CONSTRUCTION		1 3											
EQUIPMENT		1 4											
TOTAL COST (LINES 10-14)													
PART II BY MEANS OF FINANCING		1 5											
		1 6											
		1 7											
		1 8											
		1 9											
TOTAL COST (LINES 15-19)													

TABLE R-1

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET (FEDERAL STIMULUS)

EXPENDING AGENCY:		
USER PROGRAM ID		CAPITAL PROJECT NUMBER
DEPT	NUMBER	

PROJECT TITLE:

PROJECT DESCRIPTION:

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (Including MOF)															APPROPRIATIONS (including MOF)				TOTAL PROJECT COST
	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM	FY 2009	FY 2010	FY 2011	FUTURE YEARS	
PLANS																				
LAND																				
DESIGN																				
CONSTRUCT																				
EQUIPMENT																				
TOTALS																				

PROJECT INFORMATION AND JUSTIFICATION (use back if necessary):

a. Total Scope of Project (e.g, what federal stimulus funds will provide, impact on state programs and state funding, etc).

b. Identification of Need and Evaluation of Existing Situation.

c. Alternatives Considered and Impact if Project is Deferred.

d. Discuss What Improvements Will Take Place When Project Completed (including benefits to be derived and/or deficiencies this project intends to correct).

e. Impact Upon Future Operating Requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year).

f. Additional Information (e.g., conditions/limitations associated with obtaining funds, discuss how intent for federal stimulus monies and purpose will be met, etc.)

FORM S-1

Date Prepared/Revised: epared/Revised:

FB 09-11 BUDGET
DEPARTMENT SUMMARY OF PROPOSED CIP LAPSES AND NEW CIP REQUESTS - FEDERAL STIMULUS
DEPARTMENT OF

PART B: NEW REQUESTS FOR FEDERAL STIMULUS						Emerg Appn (if approved)	Governor's Message (if approved)	
Req Cat	Dept Pri	Prog ID	Proj No.	Project Title	MOF	FY 09	FY 10	FY 11
				TOTAL		-	-	-
				BY MOF				
				General Fund	A	-	-	-
				Special Funds	B	-	-	-
				General Obligation Bonds	C	-	-	-
				Reimbursable GO Bonds	D	-	-	-
				Revenue Bonds	E	-	-	-
				Federal Funds	N	-	-	-
				Private Contributions	R	-	-	-
				County Funds	S	-	-	-
				Interdepartmental Transfers	U	-	-	-
				Revolving Funds	W	-	-	-
				Other Funds	X	-	-	-

Request Category:
M Maintenance of Existing Facilities
C Completion of Current Projects
HS Health, Safety, Court Mandates
E Energy Efficiency
G Governor's Program Initiatives
FED - Federal Stimulus
O Other