

# **A Local Reality Check of the American Recovery and Reinvestment Act of 2009**

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On February 17, 2009, at an alternative energy facility outside of Denver, Colorado, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA amounts to the largest one-time domestic spending program in the history of the United States. Coupled with a massive dose of tax relief, ARRA is intended to stimulate the faltering United States economy and specifically, to create or save 3.5 million jobs during the President's first two years in office.

How will ARRA affect states and local governments? ARRA contains more than \$300 billion in potential funding for state governments and state-related programs. Over 60 percent of ARRA spending will flow through, or be touched by, state governments; yet by projection less than 1 percent is targeted directly to local governments. Funding for local governments will come primarily in the form of entitlement funds that are in place, such as: Community Development Block Grants (CDBG), Social Service Block Grants (SSBG) and Energy Efficiency and Conservation Block grant programs.

Investments in these formula grants will be significant for those communities who are eligible. For instance, CDBG ([www.hud.gov/recovery/cdblock.cfm](http://www.hud.gov/recovery/cdblock.cfm)) is slated to receive \$1 billion, while the Energy Efficiency and Conservation Block Grant Program will distribute \$2.8 billion in funding through formula and another \$400 million in discretionary funds ([www.eecbg.energy.gov](http://www.eecbg.energy.gov)).

Much of ARRA is directed toward state relief. There is over \$95 billion in funding that may supplant current budget spending to address the \$350 billion budget crisis faced collectively by states over the next two years. A large portion of that funding goes to the projected \$87 billion needed for the increased Medicaid match, while another \$8.8 billion will be provided as flexible stabilization funds for states to use to fill budget gaps at any level and within any department.

Formula funding will be a targeted means of supporting governments, providing as much as \$130 billion nationwide to supplement state spending through federal and state formula programs focused largely on education, transportation and social service needs. There are also some long-term investment opportunities available through ARRA. Over \$100 billion in competitive grant opportunities will be made available over the next year. The pots of funding are small and will be spread out, but when combined they could provide a substantial resource for state and local economies. The biggest categories include green energy/jobs (\$25 billion), research and development (over \$20 billion), rail improvements (\$8 billion) and rural broadband initiatives (\$7.2 billion).

States and local governments that take a strategic approach to grant funding for research, clean energy and other fields can impact their communities. Over 75 federal programs received funding, which include:

- Transportation Infrastructure;
- Energy and the Environment;
- Community and Economic Development;
- Public Safety;
- Health Care and Social Services; and
- Rural Development/Water Infrastructure.

Of the total \$787.2 billion, it is projected that \$573.3 billion will be in direct spending while another \$211.9 billion is targeted for tax cuts. Since ARRA funds will be distributed through pre-established formulas to states and local governments, the Congressional Budget Office (CBO) estimates that nearly 75 percent of funding will be spent by September 2010. This can be tracked at [www.recovery.gov](http://www.recovery.gov).

The reality for most local governments is that there will not be a significant impact on the local economy through discretionary grant funding. A portion of the funding will come by way of formula grants:

- \$5 billion for weatherization assistance (through the state);
- \$2.25 billion for energy retrofits through HUD;
- \$750 million in job training (including \$500 million for 'green jobs'); and
- \$300 million for DHS state and local Programs (transit and port security).

There will be some funding distributed via competitive actions and others that will be a combination of discretionary funding and formula funding. These opportunities include:

- \$2 billion for Edward Byrne JAG grants;
- \$1 billion for COPS Hiring Program;
- \$765 million in State and Local Law Enforcement Assistance;
- \$225 million for Violence Against Women Prevention and Prosecution;
- \$210 million for Assistance to Fire Fighters (construct or renovate fire stations);
- \$1.38 billion for Rural Water and Waste Disposal Program; and
- \$130 million for Rural Community Facilities Program.

Local governments should also review the various New Jersey State Department's websites ([www.nj.gov/nj/gov/deptserv](http://www.nj.gov/nj/gov/deptserv)) for some ARRA funding that will be distributed via competitive applications such as the recent Neighborhood Stabilization Program (NSP). This was ARRA funding that was distributed via formula to the various states who in turn issued a Request for Proposal (RFP) for local governments to compete for the funds.

Most local governments will probably see the largest impacts from ARRA through the apportionment of this funding through various programs and departments of federal and state government. This distribution of funding often involves new grant programs, programs that are parallel to existing funding mechanisms, new regulatory standards and an array of bureaucratic issues. Moreover, although the money will be awarded quickly, during the next few years there will be close scrutiny by Congress and various agency inspectors general to evaluate the distribution of funds and their ultimate use. The effectiveness of the stimulus package certainly will have a major impact on upcoming elections. Debate continues regarding the wisdom of certain aspects of ARRA and the level of deficit spending it involves, and political fortunes hang in the balance.

It is yet to be seen just what sort of long term effect ARRA will have on local government budgets and community infrastructure. Certainly for many large urban centers ARRA has the potential to be a lifeline by providing gap financing to plug the holes in fiscal budgets. But for smaller suburban or rural communities, the direct impact of ARRA may have less dramatic impacts.

The impacts of ARRA will be far reaching; of this, there is certainty. They will be viewed by many in the same historical context that we now view the actions of the 1930s. The fiscal, economic and political ramifications of ARRA will be lasting and consequential. Time will be the best and most accurate measure of these impacts.

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*Triad Associates is currently the League's Grant Consulting Firm. Their firm, which is known for its expertise in community and economic development, including strategic planning, redevelopment, acquisition, relocation and funding, has brought diverse plans and projects to life by generating more than \$580,000,000 for over 120 public, private and nonprofit clients throughout the Northeast region since 1978. Every member of the Triad team is personally committed and dedicated to the success of its clients and the projects that benefit communities.*