

# **Provisions of the American Recovery and Reinvestment Act of 2009**

**A Presentation to the Tennessee General Assembly  
Senate State and Local Committee**

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Relations**

<b>Individuals and Families</b>	<b>\$232 billion</b>
Refundable tax credit of up to \$400 per person and \$800 per joint return	\$116 billion
Payments of \$250 to Social Security, SSI, Rail Road Retirement, and Veterans Disability Recipients	\$14 billion
Increase in Earned Income Tax Credit	\$4.7 billion
Increase in Refundable Child Tax Credit	\$14.8 billion
Refundable First Time Home Buyer Credit	\$6.6 billion
Sales Tax Deduction for New Car Purchases in 2009	\$1.7 billion
Tax Credit of up to \$2500 for college tuition and related expenses	\$13.9 billion
Extension of relief from Alternative Minimum Tax (AMT) for 209	\$69.8 billion

<b>Businesses</b>	<b>\$6.2 billion</b>
Accelerated depreciation of capital expenditures for 2008 and 2009	\$5 billion
5-year carry back of net operating losses (NOL) for small businesses	\$950 million
Modified tax treatment of mergers and restructuring	\$3 billion
Small business capital gains	\$829 million
<b>Manufacturing Taxes</b>	<b>\$1.8 billion</b>
Advanced energy investment credit	\$1.6 billion
Tax credit bonds for economic recovery zones	\$5. 3 billion

<b>Infrastructure Financing Tools</b>	<b>\$19.6 billion</b>
Rules affecting state and local government bonds will be changed to improve marketability	\$3.8 billion
New tax credit bonds for construction rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed	\$9.9 billion
Tax credit bond option for state & local government	\$4.3 billion



<b>Energy Investment Incentives</b>	<b>\$20 billion</b>
Extension and modification of renewable energy investment tax credits	\$13 billion
Qualified energy conservation bonds to finance State, municipal and tribal government programs to reduce greenhouse gas emissions	\$800 million
Extension of tax credits for improvements to energy-efficient existing homes through 2010	\$2 billion
Extension of tax credit for each qualified plug-in electric drive vehicle placed in service during the taxable year	\$2 billion

<b>Aid to Families and Unemployed Workers</b>	<b>\$43.7 billion</b>
Extension of Unemployment Compensation	\$27 billion
Temporary increase in unemployment benefits	\$8.8 billion
One-time grants to states to improve unemployment compensation systems	\$3 billion
Advances to state unemployment trust funds	\$1.1 billion
Temporary Assistance for Needy Families (TANF) contingency fund for states	\$2.5 billion
Repeal of cuts to child support enforcement	\$1 billion

<b>Health Insurance Assistance</b>	<b>\$25 billion</b>
65% premium subsidies for COBRA continuation coverage for unemployed workers	\$24.7 billion
<b>State Fiscal Relief and Medicaid</b>	<b>\$90 billion</b>
Temporary federal medical assistance percentage (FMAP) increase	\$86.6 billion
Temporarily applies Medicaid prompt pay requirements to nursing facilities and hospitals	\$680 million
<b>Health Information Technology</b>	<b>\$17.5 billion</b>
Incentive payments to hospitals and physicians who computerize medical-records systems	\$17.5 billion

<b>Trade Provisions</b>	<b>\$1.6 billion</b>
Expands Trade Adjustment Assistance programs	\$1.6 billion

<b>Infrastructure and Science Improvements</b>	<b>\$120 billion</b>
Infrastructure Improvements	
Expansion of broadband access and usage	\$7.2 billion
Homeland Security	\$2.75 billion
Corps of Engineers	\$4.6 billion
Veterans Administration facilities	\$1.2 billion
Department of Defense facilities	\$2.3 billion



<b>Transportation</b>	
Highway investments	\$27.5 billion
Public transit	\$8.4 billion
Rail transportation	\$9.3 billion
<b>Public Housing</b>	
Public housing capital fund	\$4 billion
Redevelopment of abandoned and foreclosed homes	\$2 billion
Section 8 rental assistance	\$2 billion
<b>Environmental Cleanup</b>	
Cleanup of former weapons production and energy research sites	\$6 billion
Local drinking water infrastructure improvements	\$6 billion

<b>Science</b>	
NASA	\$1 billion
National Science Foundation	\$1 billion
Department of Energy	\$2 billion

<b>State Fiscal Stabilization Fund</b>	<b>\$53.6 billion</b>
Money for local schools to minimize cutbacks	\$39.5 billion
Bonus grants for meeting key education performance measures	\$5 billion
Construction of education facilities	\$8.8 billion

# Stabilization Fund Requirements

Governors shall submit applications in order to receive stabilization funds:

- provide baseline data regarding each of the areas described in such assurances
- describe how states intend to use their allocations
- such assurances shall include that the state will: in each of fiscal years 2009, 2020, and 2011
- maintain state support for elementary, secondary, and public postsecondary education at least at the levels in fiscal year 2006
- address 4 key areas:
  1. achieve equity in teacher distribution
  2. establish a longitudinal data system
  3. enhance the quality of academic assessments relating to English language learners and students with disabilities, and improve state academic content standards and student academic achievement standards, and
  4. ensure compliance with corrective actions required for low-performing school



<b>Education and Training</b>	<b>\$44.6 billion</b>
Title 1 monies for disadvantaged children	\$13 billion
Special education/IDEA monies for disabled children	\$12.2 billion
Pell grants	\$15 billion
Job training	\$3.9 billion

# 2008-2009 Through 2010-2011 U. S. Economic Recovery Act Tennessee Allocations for Selected Programs

Fiscal Stabilization:

Education \$ 775,135,000

General Purpose 172,463,000

**Sub-Total Fiscal  
Stabilization \$ 947,598,000**

Source: [www.tnrecovery.gov](http://www.tnrecovery.gov)

## Selected Tennessee Allocations for ARRA

Medicaid	\$1,100,000,000
Foster Care / Adoption Assistance	10,200,000
Highways and Bridges	572,701,000
Mass Transit Capital Grants	71,988,000
Drinking Water	20,238,000
Clean Water	57,373,000
Underground Storage Tank	5,042,000
Weatherization	102,460,000

## Selected Tennessee Allocations for ARRA

State Energy Program	\$59,065,000
Immunization	7,199,000
Food Stamp Administration	9,000,000
Food Stamp Benefits	608,000,000
Elderly Nutrition	2,614,000
Child Care	41,932,000
Child Support Enforcement	32,000,000
Community Services Block Grant (CSBG)	19,699,000
Temporary Emergency Food Assistance Program (TEFAP)	2,069,000
FEMA - Emergency Food and Shelter	2,064,000



# Selected Tennessee Allocations for ARRA

K-12 Education - Elementary & Secondary Education Act (ESEA) Title I	
Grants to LEAs	\$ 194,108,000
School Improvement	50,386,000
<b>Sub-Total K-12 Education - ESEA Title I</b>	<b>\$ 244,494,000</b>
Individuals with Disabilities Education Act (IDEA):	
IDEA - Part B - Special Education	\$ 229,613,400
IDEA - Part B - Special Education - Preschool	7,345,900
IDEA - Part C - Early Intervention	8,100,300
<b>Sub-Total IDEA</b>	<b>\$ 245,059,600</b>
Education Technology	12,292,400
Education for the Homeless	669,000
School Lunch Equipment	1,985,000
<b>Total Education</b>	<b>\$ 504,500,000</b>

## Selected Tennessee Allocations for ARRA

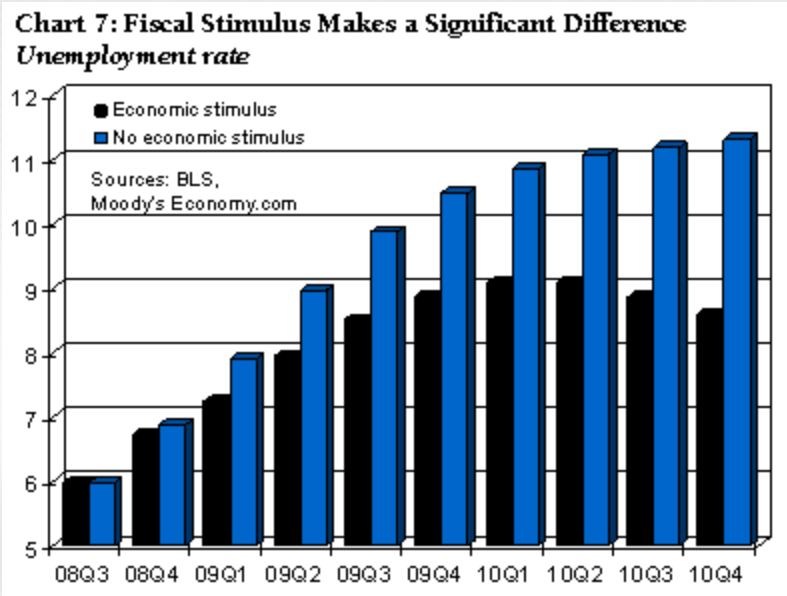
HOME Investment Partnership Program (HUD estimate)	\$39,032,500
Homelessness Prevention (HUD estimate) - State	13,467,400
Byrne Justice Assistance Grant	49,518,000
Crime Victims Assistance	906,000
Crime Victims Compensation	146,000
Internet Crimes Against Children	646,000
Violence Against Women	4,496,000

## Selected Tennessee Allocations for ARRA

Unemployment Insurance –	
State Administration Grants	\$9,600,000
Workforce Investment Act - Adult	10,945,000
Workforce Investment Act - Youth	25,353,000
Dislocated Workers	29,028,000
Community Service for	
Older Americans	2,472,000
Employment Service	7,426,000
<b>Grand Total</b>	<b>\$ 4,500,061,400</b>

# Predicted Impact of Stimulus

- Mark Zandi, Chief Economist, Moody's Economy.com





# Wall Street Journal Panel of Economists

- Wall Street Journal Survey of 54 Economists for 2009-2010 (Survey conducted in Feb. 2009):
- 44% characterize the stimulus package as about right in size, 31% characterize it as too large, and 24% characterize it as too small.
- Real GDP Growth: negative for first two quarters of 2009, less than one percentage positive growth in Q3 and about 2% positive growth in Q4.
- Unemployment rate of 8.3% in June 2009 and 8.8% in December 2009

# WSJ Panel

- Average non-farm payroll job **losses** of 206,000 jobs per month without a stimulus and 182,600 per month with stimulus in 2009.
- 63% predict that the economy will have hit the bottom of the recession cycle by the end of 2009; 12% predict that won't occur until 2010.

## WSJ Panel Update for March 2009

( <http://online.wsj.com/public/page/news-economy.html> , retrieved 3/23/2009)

- Average GDP growth negative for first two quarters of 2009, positive growth of less than one-half of one percent in Q3 and 1.7% growth in Q4.
- Forecast of U.S. unemployment rate for June 2009 is 8.7% and 9.3% in December 2009. Actual unemployment rate for February 2009 was 8.1%.



## WSJ Panel Update for March 2009

( <http://online.wsj.com/public/page/news-economy.html> , retrieved 3/23/2009)

- 76% now predict that the low point of the recession will occur by the third or fourth quarter of 2009. Only 11% predict that the economy will continue to contract into 2010 or beyond.
- Outlook has improved since February survey.



Don Ratajchak, Morgan Keegan,  
March 23, 2009 Weekly Commentary

(<http://www.morgankeegan.com/MK/default.htm>, retrieved 3/23/2009)

- Predicts that GDP growth may continue to be negative through the summer, Q3, but he states the economy is “seeking a bottom”.
- The slight drop in initially claims for unemployment insurance during mid-March is a positive indicator but 5.5 million people are currently receiving unemployment compensation.

Don Ratajchak, Morgan Keegan,  
March 23, 2009 Weekly Commentary

(<http://www.morgankeegan.com/MK/default.htm>, retrieved 3/23/2009)

- One positive employment note is that layoffs in the retail trade sector have declined.
- Ratajchak points out that Tennessee is among the states with lower initial claims reported.