

DRAFT

**STATE IMPLEMENTATION OF THE
AMERICAN RECOVERY AND REINVESTMENT ACT**

A National Governors Association Report

February 24, 2009

Key Points

1. The American Recovery and Reinvestment Act (ARRA) will have a huge impact on state government because it will affect about 50 state formula and discretionary grants as well as about 15 entitlement and anti-cyclical programs. States or individuals through state programs will receive over \$250 billion from the package. Many of these programs will require states to make legislative, business, and even management information system changes. In addition, state revenues and bonding activities will also be impacted.
2. In many instances, the act requires funds to be obligated quickly. In particular, it contains several “use it or lose it” provisions, which would reallocate unobligated funds to other states. For example, there is a requirement in the highway section for states to obligate 50 percent of funds in 120 days.
3. States are likely to experience difficult fiscal conditions for at least the next three years. Both 2009 and 2010 will be difficult because the economy will grow very little. Meanwhile, 2011 also will be difficult because history has shown that the biggest impact on state government budgets has been felt the year after the recession ends. It is also true that these funds are only temporary. Thus, governors will be challenged to develop the correct balance between quick obligation and program stability and efficiency in bridging the gap until economic recovery.
4. The act includes numerous provisions to ensure that the appropriated funds are spent as intended by Congress. As a result, state activities will be subjected to extensive public scrutiny and will have to meet very high standards with respect to transparency and accountability. States also should be prepared for extensive audits by the federal government.
5. The current estimate of total state budget shortfalls over fiscal years (FYs) 2009-2011 is about \$250 billion. The ARRA contains some flexible funds to counter these shortfalls, namely \$87 billion from Medicaid and about \$48 billion in the State Stabilization Fund (for a total of about \$135 billion in countercyclical funds). On average, this is just a little over 50 percent of the projected shortfall, which means it will be a big help but no panacea. To bridge the gap, states will have to continue to consolidate and streamline state government.
6. There are three categories of funds in the ARRA – countercyclical or flexible funds, safety net (i.e., Medicaid, Food Stamps, Unemployment Insurance), and direct appropriations – that are all an integral part of the short-run stimulus. These programs must be implemented quickly to have positive macro-economic impacts.
7. The act includes substantial funds for health IT, research and development, alternative energy, and broadband development. These are intended to transform the economy and set the foundation for long-run economic growth. They also provide a major opportunity for governors to aggressively combine various funds to maximize long-run growth and competitiveness. To maximize these opportunities, governors should develop a strategic vision for using the funds and engage their state universities and the private sector.

8. Governors may want to appoint a lead coordinator and a team or task force that includes staff with extensive budget, transparency and accountability expertise. They may also want to appoint other sub-leads for the four major categories of spending, i.e., countercyclical, direct appropriations, safety net, and long-run foundational funds to maximize coordination. The lead coordinator may report directly to the governor. It is critical for this team to develop strategic visions as well as management plans..
9. Governors also may want to develop an aggressive outreach strategy to develop input directly from the public as well as local governments and the private sector. Some states may wish to appoint advisory groups to assist in channeling input and advice.
10. Finally, governors may want to develop a comprehensive strategy to keep citizens informed at each step of the implementation, given continuing economic difficulties and the importance of the stimulus. Developing a sophisticated Internet strategy to share information will be critical.

STATE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT

ARRA provides about \$787 billion to reduce the risk of deflation and to significantly reduce both the decline of GDP and loss of jobs over the next two to three years. It includes \$478 billion in increased spending and \$300 billion in tax cuts.

Spending Categories

From a state perspective, it is critical to think in terms of the various categories of spending because they have very different intents and many require different management structures, reporting requirements, and even the involvement of state legislatures. Four categories are particularly important.

1. Countercyclical Funds

There are two major categories of the countercyclical funds, which are the most flexible funds. First, there is the \$87 billion in estimated federal increase in Medicaid funds that, depending on the future growth of Medicaid, will allow states to reprogram some of their own previous matching funds to other areas to offset planned budget cuts. The second is the \$48 billion in the State Fiscal Stabilization Fund, which includes \$8.8 billion that can be used for any purpose as well as education, and \$39.5 billion that must be used for elementary, secondary and higher education. Because education averages about 40 percent of state budgets, it provides considerable fiscal relief. It is important to note that local school districts will also receive an additional \$25 billion in Title I and special education grants for education. The combination of Medicaid and the State Stabilization Fund means that the flexible funds provided under the act total about \$135 billion. Additional detail is provided for this category in **Appendix A**.

2. Appropriated Programs

The ARRA contains a significant number of direct appropriations into existing state programs, which run the gamut from \$27.5 billion for highways to \$1 billion for community services block grants to \$3.1 billion for state energy grants. States have little flexibility here and must spend these additional funds in the specified program areas. Many of these grants are formula while others are discretionary or competitive grants. This category includes about 50 programs. In many cases, states need to obligate and spend these funds quickly to create jobs. Additional detail is provided for this category in **Appendix B**.

3. Safety Net

The act does expand on a number of safety net programs such as Medicaid, including transitional Medicaid assistance as well as both increased food stamp benefits and eligibility. Also, it extends eligibility for unemployment insurance. Most of these programs will require states to make decisions regarding new eligibility and benefit levels, which may require state legislative changes as well as major changes to business processes and management information systems. The additional safety net funds will be spent quickly by recipients and, thus, will have a positive macroeconomic impact. Additional detail is provided for this category in **Appendix C**.

These three categories of available funds are all intended to be part of the stimulus portion of the bill, which requires that all changes be enacted quickly and funds obligated rapidly. They all are important in limiting the rate of decline in GDP and job loss.

4. Foundations for Economic Growth

The legislation also targets long-run investments in four areas with substantial potential for both short- and long-term economic growth. These areas are:

- Alternative Energy, Energy Efficiency and Green Jobs;
- Health IT;
- Broadband Development; and
- Research and Development.

To maximize the benefit of these investments provided under the act, states must develop strategic plans to combine the various grants and loans. Achieving the maximum “bang-for-the-buck” requires a coordinated approach, governance structure, and clear strategic goals. The legislation authorizes about \$56 billion for these four areas. However, these funds are not in addition to funds described in the three preceding categories. This number is just illustrative of the potential to draw linkages between program funds. Additional detail is provided for this category in **Appendix D**.

Federal Tax Changes

The legislation also contains a number of provisions designed to provide tax rebates or other forms of tax benefits to individuals and businesses. Some of these changes may have an adverse impact on state tax revenue in those states that are still coupled with the federal income tax law. Other changes may affect state and local bonding authority and affect the cost of that borrowing. Those changes most likely to affect states and localities are described in more detail in **Appendix E**.

Challenges and Opportunities

This act presents governors with an almost unprecedented series of challenges and opportunities. While new funds will become available almost immediately, the recession will likely continue to affect state government for the next three years. As a result, the first challenge for governors will be to obligate funds quickly while also ensuring program stability over the 2009-2011 period.

The second challenge for governors will be the need to ensure that state departments and agencies:

- Secure the maximum amount of federal funds available;
- Fulfill transparency and reporting requirements;
- Ensure full and timely use of resources; and
- Avoid waste, fraud, and abuse.

Federal Oversight and Accountability

The legislation contains numerous provisions to ensure that the appropriated funds are spent as intended by the Congress. As a result, state activities will be subjected to extensive public scrutiny and to enhanced oversight by a variety of federal entities, including federal program managers, agency inspectors general, and the Government Accountability Office. Federal efforts will be coordinated by a newly established Accountability and Transparency Board that will be chaired by the President’s Chief Performance Officer and include six members designated by the President from among the inspectors general and deputy secretaries. The board is charged with:

- Ensuring that reporting meets applicable standards;
- Verifying compliance with competition requirements; and
- Investigating spending to identify poor contract management, fraud, or waste.

The legislation requires the board to establish a Web site, www.recovery.gov, as a portal or gateway to key information related to the act and to provide a window to other government websites with related information. States will be required to use this Web site to post information on the use of both operational funding and infrastructure investments. The required information is generally more detailed than mandated by current statutes and will include:

- Descriptions of the intended use of the funds;
- Impact on job development and preservation; and
- Copies of individual grants and contracts.

The legislation includes substantial increases in the appropriations for the Government Accountability Office and departmental inspectors general. It requires grantees to provide federal reviewers with unfettered access to state records. It also establishes new whistle-blower protections, including the authority for federal inspectors general to review and decide claims regarding retaliation.

Timing Issues and Constraints

The legislation has numerous requirements regarding obligation of funds for the various programs. Many of these incorporate “use or lose” provisions, which means that funds are reallocated to other states if they are not obligated by the given deadline.

Additional provisions govern the availability of some other funds, such as enhanced Medicaid reimbursement and temporary increases in eligibility and benefit levels for programs assisting needy individuals and families.

The ability of states to meet these timing requirements may be affected by a number of factors, including the need for:

- State legislative authorization to receive and expend funds;
- State legislative authorization for needed program/eligibility changes;
- Modification of business processes and/or information systems;
- Staff capacity; and
- Public support.

Assessing the Management Challenge

Governors should expect to be held fully accountable for their use of these new federal funds. Critics are already questioning state decisions during the period leading up to the recession and will likely be even more vocal as time passes. Governors will be expected to achieve an almost impossible balance between three related objectives:

- Expending funds quickly;
- Targeting funds effectively; and
- Avoiding any appearance of waste, fraud, or abuse.

To best achieve these objectives, governors will need to quickly build or expand a capacity to:

- Plan and establish priorities;
- Obtain necessary legislative and public support;
- Coordinate the interaction between state and federal agencies;
- Oversee state agency implementation, including coordination and collaboration across agency and program lines;
- Expand workforce capacity to develop and monitor a rapid growth in contracts;
- Ensure compliance with grant requirements, including transparency and accountability provisions; and

- Facilitate local government and private sector opportunities to utilize federal grant and loan programs to the maximum extent.

Thoughtful planning and skilled implementation will be required to achieve the full benefit of the opportunities encompassed in the ARRA. Planning is required to ensure that new spending is timed to provide necessary resources over the duration of the recession and initial recovery. Failure to plan early for the next two to three years could worsen the out-year impact because states might be hard pressed to meet service expectations or commitments.

Planning is also vital to ensure that available funds are used strategically to address both the short-term needs of individuals adversely affected by the recession and the opportunities to invest in some critical elements of future economic growth. A thoughtful planning process that involves multiple stakeholders at an early stage can help both to identify priorities and the opportunities to coordinate a variety of funding sources to help achieve broader goals. That process also can help identify and address issues relating to the sustainability of programs and services that may be initiated or expanded under the ARRA.

The full use of new federal funds will likely require quick state legislative action. The heated debates in the Congress underscore the importance of communicating a clear message regarding the importance of timely action to the public and of an aggressive outreach effort to include key legislative interests early in the planning process.

Similarly, a proactive approach by the governor may be needed to identify and maximize opportunities for better collaboration and coordination with direct federal programs and to minimize the restraints inherent in some of the traditional stovepipe programs that are being used to channel increased funding. While department and agency heads will often play a lead role in these efforts, gubernatorial oversight and participation will be critical for their success.

The need to commit new funding quickly will require speedy action by a large number of state departments and agencies. In some cases, new programs must be developed and implemented. In other cases, extraordinary steps may be required to expand the capacity to deliver existing services to additional clients. Implementation plans may need to encompass new regulations, changes in operating procedures, large scale modifications to information systems, enhanced training, and expanded outreach efforts. Governors will want to ensure that their department and agency heads clearly understand their critical roles and to develop procedures to monitor their progress.

The use of new resources available to the states in a number of program areas will require a rapid expansion in state capacity for contracting. An initial focus on the preparing and issuing contracts will need to be followed by intensive contract management to ensure the proper and timely expenditures of funds. Many states may lack the trained manpower needed to carry out these tasks. Governors will want to review the possible need to enhance their contracting and contract management capacity.

Extensive public reporting provisions, particularly the mandate for posting detailed information on a national Web site, provide numerous opportunities for ongoing scrutiny by the public at large and for those hoping to identify waste and misuse. Governors will want to ensure that state departments and agencies are fully meeting these requirements in a timely manner and to monitor the data that is being made available in an effort to anticipate potential problems.

Similarly, governors may want to consider additional ways to identify and monitor potential problems before they can become operational or political issues. Possible steps include a more aggressive state auditing schedule, special waste and abuse hotlines, and an aggressive risk management strategy that encourages participation and truth-telling by all levels of employees and managers.

Finally, governors and their appointees can help local governments, nonprofits, and other segments of the private sector identify and pursue grant and loan opportunities, as well as help coordinate those activities and identify intergovernmental and cross-program opportunities to work together toward a set of common objectives.

Creating a Management Structure

The issues involved in implementing state responsibilities under the ARRA are too important and too complex to leave to “business as usual.” They will require extraordinary steps to prepare for and carry out those responsibilities efficiently and effectively. Some of the possible steps include:

- Assigning oversight responsibility to the governor’s office;
- Assigning oversight responsibility to an existing planning or budgeting agency;
- Assigning oversight responsibility to the cabinet or to sub-cabinets;
- Delegating responsibility to department and agency heads; and
- Creating new mechanisms to coordinate planning and implementation.

As described in **Appendix F**, more than 20 governors already have taken steps to prepare for the new opportunities and responsibilities resulting from enactment of the ARRA.

Conclusion

Over the next 12 to 36 months, the ARRA will make over \$250 billion available to state government or through state governments to individuals. This act provides governors with a unique opportunity to mitigate the impact of the recession while they work to lay the foundation for future economic growth. It also presents governors with an almost unprecedented series of challenges and opportunities.

As already demonstrated, governors are working quickly to identify and respond to those challenges and opportunities in a timely and responsible manner.

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 |
| | | <i>FY08</i> | <i>ARRA</i> | |
| 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 2010-2011 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 |
| | | <i>FY08</i> | <i>ARRA</i> | |
| 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. |

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| 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 be 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. |

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| 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. |

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|----------|--|-------|-------|---|
| 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. |

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|-------|--|-----|----------------------------|---|
| Labor | Trade Adjustment Assistance - Training | 220 | 575 | Expands TAA and Alternative TAA (" <i>wage insurance</i> " 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 thousand 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 |
| | | <i>FY08</i> | <i>ARRA</i> | |
| 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 |
| | | <i>FY08</i> | <i>ARRA</i> | |
| 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. |

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|---------------|--|--|-------|--|
| STATE & LOCAL | <i>Bond Provisions Generally</i> | | | <i>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.</i> |
| 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. |

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| 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 by 01/01/11. 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. |

**APPENDIX F: EXAMPLES OF GOVERNORS' ACTIONS
TO MANAGE AND COORDINATE STATE RESPONSES TO THE ARRA**

- Alabama – Governor Bob Riley has hired two former state finance officials to oversee the stimulus money.
- California – Every agency is part of a working group to constantly monitor the implementation of the stimulus.
- Colorado – Eleven transportation commissioners will determine which projects to fund based, in part by recommendations for local governments and planners.
- Connecticut – Governor Rell has created a working group of municipal officials, business leaders, legislators and state agencies to determine the final list of stimulus projects.
- Florida – Governor Crist has announced that he will chair a sixteen member Federal Stimulus Working Group that will include the lieutenant governor, the governor's chief of staff, the state budget director and twelve state agency heads. The group has been directed to begin reviewing the best use of federal stimulus funds and to plan for the distribution of the monies by identifying critical program and infrastructure needs.
- Indiana – Governor Daniels has created two parallel efforts. The state OMB director will head a team to analyze formula spending. The Secretary of Commerce and the Chairman of the Economic Development Corporation will prepare a strategy for competitive grants. In addition, a task force of key department and agency heads and the governor's policy director will meet regularly with the governor to provide up-to-date information.
- Iowa - Governor Culver has convened a working group consisting of the state agencies that will oversee the implementation and maximization of recovery funds. Within three days of the bill's signing, the state initiated 19 new highway and bridge projects totaling more than \$56 million.
- Kansas – Governor Sebelius has assembled a group of key state officials, including four representatives appointed by state legislative leaders, to better prepare Kansas for the use of new federal funds. The group is named The American Recovery and Reinvestment Act Advisory Group. They have also launched a web site.
- Kentucky – Governor Steve Beshear has created an inter-agency workgroup with representatives from state Cabinets and agencies to advise on implementation of the stimulus.
- Maine – Governor John Baldacci says he will seek guidance from lawmakers and, while legislative input is not required, he plans to provide legislative leaders with an opportunity to review a plan for spending the stimulus.
- Massachusetts - Governor Patrick appointed Jeffrey Simon, a senior real estate professional as Director of Infrastructure Reinvestment and promised comprehensive oversight and unprecedented transparency.
- Michigan- Governor Granholm has established the Michigan Economic Recovery Office to coordinate the implementation of the recovery program. Leslee Fritz, a member of the governor's executive office team, will lead the effort. Advising the office are five working groups- infrastructure, schools, IT and

broadband, buildings, and greening- made up of key individuals within state government. The office unveiled its recovery Web site at www.michigan.gov/recovery.

- Minnesota – Governor Pawlenty has named state Management and Budget Director Tom Hanson to serve as Federal Stimulus Coordinator.
- Missouri – Governor Nixon appointed twenty-six members to a new Economic Stimulus Coordination Council.
- New Hampshire – Governor John Lynch has tapped a former state attorney general to manage stimulus funds.
- New Jersey – Governor Corzine has formed a federal stimulus working group to spearhead New Jersey’s efforts in maximizing federal economic stimulus aid and a second group to monitor job creation resulting from his Economic Assistance and Recovery Plan.
- New York – Governor Paterson has created the New York State Economic Recovery and Reinvestment Cabinet to manage the development and state and local infrastructure projects financed through the ARRA. The Cabinet will oversee the distribution of federal funds throughout the state for projects involving transportation, water and sewer, energy, technology and other infrastructure. It will work closely with local governments to ensure federal dollars reach critical projects and put people to work as quickly as possible.
- North Carolina – Governor Perdue has established the Office of Economic Recovery & Reinvestment to coordinate and track North Carolina’s handling of federal stimulus funds as well as state-level economic recovery initiatives. The office will be led by Dempsey Benton, former secretary of the state Health and Human Services Department.
- North Dakota – Governor Hoeven plans to hire a senior staff member to oversee the implementation of stimulus funds.
- Ohio – Governor Strickland has created an Infrastructure Czar and has appointed the president and CEO of the Cleveland Foundation to that new position.
- Oklahoma – Governor Henry is considering an executive order assigning oversight responsibilities to a task force comprised of affected state agencies, private sector representatives and, possibly, members of the legislature. The governor is also considering working with the State Auditor in establishing reporting systems and providing public access to allow for citizen review of the implementation process.
- Oregon - Governor Ted Kulongoski created a new public-private advisory council called The Oregon Way Advisory Group to use Oregon’s green advantage to maximize potential grants from the federal economic recovery package to create jobs immediately and for the long term.
- Pennsylvania – Governor Rendell has established a Recovery and Relief Council chaired by the Pennsylvania Secretary of General Services. Each agency has identified a member of their executive leadership team to spearhead department and cross-agency activities necessary to achieve the goals of the ARRA. The Commonwealth plans to launch a Pennsylvania Stimulus tracker and is slated to distribute a detailed ARRA guide to school districts to assist in their wise and speedy allocation of education- related ARRA funds.

- Puerto Rico – Governor Fortuno is working to centralize oversight by selecting one state agency to serve as “project manager” and authorizing that agency to subcontract with private firms to manage specific program components and to coordinate reporting efforts.
- Rhode Island – Governor Carcieri has established the Rhode Island Office of Economic Recovery and Reinvestment, which will be responsible for administering and complying with the ARRA.
- Utah – Governor Huntsman’s Office of Planning and Budget is coordinating planning for the distribution of federal funds. It has solicited suggestions of the best use of funds from state agencies and from outside of state government.
- Vermont – Governor Douglas has created a Vermont Federal Recovery Office to expedite projects when federal funds are received.
- Virginia – Governor Tim Kaine is taking a grass-roots approach to planning for the stimulus package and has set up a website seeking input from citizens, local governments and community groups.
- Washington – Governor Gregoire has named a former head of the Office of Financial Management, Dick Thompson, to lead state efforts to protect existing jobs and accelerate job creation.
- West Virginia – Governor Manchin has put his Chief of Staff, Larry Puccio, in charge of coordinating the state’s stimulus efforts with assistance from the Governor’s Director of Policy, Lara Ramsburg, and the Secretary of Revenue, Virgil Helton. He is also establishing a website to keep the public up-to-date on West Virginia’s progress.
- Wisconsin – Governor Doyle created an Office of Recovery and Reinvestment. Gary Wolter, President and CEO of Madison Gas and Electric will head the office on a voluntary basis.