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OFFICE OF POLICY AND MANAGEMENT

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The American Recovery and Reinvestment Act:
Making the Economic Stimulus Work for Connecticut

Remarks of Robert L. Genuario, Secretary, Connecticut Office of Policy and Management

Senator Lieberman and distinguished members of the Homeland Security and Government Affairs Committee, I am Robert Genuario and I am Secretary of the Connecticut Office of Policy and Management. On behalf of Governor Rell, I thank you for the opportunity to speak with you today and for your efforts in bringing the federal economic stimulus package forward for our state and for our country. These are difficult days for those of us charged with serving the public and we appreciate the collaboration and cooperation that we have seen from our partners in the federal government. With patience and perseverance, I am confident that we will emerge a stronger state and nation.

Introduction

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by President Obama on February 17th, 2009, and includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need during this extraordinary economic downturn.

In an effort to create job opportunities for Connecticut residents and help the state's communities and businesses prosper, Governor Rell has taken a number of steps to maximize the effectiveness of the ARRA in Connecticut. The Governor has:

- created the Connecticut Recovery Working Group to identify and select projects of the "shovel ready" nature, work that has primarily focused on the transportation aspects of the Act;

- established a process to coordinate the activities of state agencies through regular meetings involving Governor's office staff and core agencies that have the bulk of the formula-based programs to implement - OPM, DOT, DECD, DPH, DSS, Labor, DEP, DPS and Education;

- initiated efforts to share and receive information from municipal leaders on stimulus activities in their communities; and

- formalized procedures and policies for promoting transparency and ensuring accountability, including the establishment of the state's economic recovery website, www.recovery.ct.gov.

Accountability and Transparency

Concerning accountability and transparency, Governor Rell has issued Executive Order No. 25, which calls for the creation of a State Accountability Officer, a State Transparency Officer and Stimulus Project Oversight Officer.

- The State Accountability Officer will be responsible for ensuring the state provides all reports, certifications and assurances required by the ARRA.
- The Transparency Officer will maintain and keep current the CT Recovery Web site, posting all applications, receipts for spending stimulus funds and other required documentation.
- The Stimulus Project Oversight Officer, will act as the state's "clerk of the works," coordinating with every state agency receiving stimulus funds and will oversee the progress of all stimulus-funded infrastructure projects, ensuring they have the required permits and applications and meet deadlines.

The Executive Order, signed March 23, also requires that every state agency that applies for or receives stimulus funds appoint an agency accountability officer responsible to ensure that the money is used in accordance with the ARRA. Each agency is also required to maintain a detailed Web page on the agency's Web site, listing the agency's stimulus activities.

The federal act also mandates that states make public any contact made with lobbyists and consultants. Governor Rell has said that the State of Connecticut will post a log every Monday on the official CT Recovery Web site listing any contact Executive Branch employees have had with registered lobbyist and consultants concerning projects, issues and other topics related to the ARRA.

Amount and Type of Assistance

Over the course of three fiscal years, the state is expected to receive more than $3 billion in formula-based funding through the ARRA. Of this amount, about $1.3 billion is in Medicaid funds; $550 million is in the State Stabilization funding, primarily targeted to education and we expect to effectuate that through the state's Education Cost Sharing program and another $150 million in other education programs such as Special Education and school technology; $450 million is in transportation infrastructure moneys; $48.5 million is in Clean Water funding; $64 million is in Weatherization funds; and $38.5 will be coming for the State Energy Program.

Considerable funding is also available for unemployment insurance benefits - since March , an extra $25 has been included in every benefit check - and benefits have been extended through the end of year. $87 million is available to Connecticut for the Unemployment Insurance Modernization Initiative. We will need to make a modest improvement to our unemployment benefit structure in order to be eligible for this funding. The Governor has proposed the modification and the legislature is poised to adopt it.

Coupled with this is new funding for workforce training initiatives - Workforce Investment Act (adults and youth), Dislocated Workers, etc., additional funding will be available through competitive opportunities for training in areas considered “emerging or high-growth” such as green collar jobs, health information technology, and in areas where there are shortages - allied health, for example.

Impact on State Budget

With regard to the state budget, we are in the middle of our legislative session and significant work remains to be done before we reach agreement with the General Assembly on a final budget for the next two years. We have sought and received guidance from the relevant federal authorities as to how the state may utilize stimulus funds in our state budget. That guidance has generally been helpful but a number of significant issues remain to be resolved. We look forward to working on those matters with the relevant federal authorities.

With regard to education funding, the ARRA provides about $541.9 million in State Fiscal Stabilization Funding (SFSF) for Connecticut. Of this funding, 82% or $444 million must be used specifically for one of two purposes:

- Restore to the greater of FY 2008 or FY 2009 funding levels for ECS in FY 2009, 2010 or 2011; and
- Restore to the greater of FY 2008 or FY 2009 funding levels for higher education institutions in FY 2009, 2010 or 2011.

It appears that the intent of this part of the stimulus was to provide funding for states to avoid budget cuts that may reduce education efforts. Our budget was formulated with the express intent of using this funding to maintain our education funding levels. Therefore, the Governor’s proposed budget does not reduce ECS at all and maintains funding to the higher education institutions at FY 09 levels, after administrative rescissions made necessary by our current year deficit. Given those facts, it is unclear how much funding we may qualify for, however, we may need to modify our budget in order to maximize this education funding. The result will be the same; local boards of education will receive the same amount of funding that they received in fiscal year 2009 pursuant to the ECS formula and other major educational grants. It appears to be a rather curious technical requirement, but one that the state can adjust to.

With regard to the Medicaid funding, we have recognized a need to modify the Governor’s budget proposal in light of guidance we have received. There are a couple of items that will likely have to be dropped revision based on CMS’s written interpretation: a proposal to impose premiums on Adults in the state’s HUSY program ($8.8 million in FY10, $9.3 million in FY11) and a proposal to eliminate self-declaration ($2 million in FY10 & FY11). According to CMS’ interpretation, those two proposals are not allowed due to the maintenance of eligibility requirements.

We are aware of some arguments being made by advocates about other Medicaid budget proposals. The enhanced Medicaid reimbursement provided by ARRA is part of the state’s anticipated revenue for the FY10-11 biennium, as well as for FY 09. As noted in the Governor’s budget document, "even with the use of the federal stimulus funding, the dedication of the Budget Reserve Fund and aggressive restraint on spending designed to return to core government functions" the state still needs to tap other one-time revenue sources in order to provide additional resources for FY11.

While Medicaid spending increases touted by various advocates may all be for worthwhile programs, given the deterioration of our revenue streams, fiscal restraint is necessary. In short, service and program expansions during this recessionary period are simply not achievable. Moreover, between the exhaustion of the state budget reserve fund by FY '11 and the termination of all stimulus funding, the state will face a structural hole of some significance in its budgetary planning for FY 2012.

In addition, a proposal to transfer some special funds dealing with energy issues will not go forward given our need to maintain efforts in that area in order to receive the stimulus funds for energy efficiency and weatherization.

Conclusion

In the days and weeks ahead, state agencies will be developing plans in response to funding opportunities associated with the ARRA. The plans will be published both on Connecticut's Recovery website and in the ARRA section of the relevant agency's website.

In addition, there are numerous reporting requirements associated with ARRA funding. Agencies receiving ARRA funding are required to submit periodic and timely reports to the federal agency administering the funding. These reports are to include information as to how the funding is being used and provide information on the number of jobs retained or created. These reports will also be found on our main CT recovery website as well as on individual state agency websites.

Thank you for the opportunity to speak with you today and I will be happy to respond to any questions you may have.