

## ECONOMIC STIMULUS – IMPACT AND IMPLEMENTATION

Enactment of the Federal economic stimulus package, the American Recovery and Reinvestment Act (ARRA), which provides a significant infusion of increased one-time Federal funding for state and local governments and individuals and families hurt by the recession, has been very beneficial to the County of Los Angeles.

### County Impact

California has been facing State budget shortfalls of an unprecedented size in the midst of a deep recession, which has hit the State harder than the rest of the country. The State's unemployment rate of 11.2 percent is far higher than the national average of 8.5 percent, and Los Angeles County's unemployment rate of 11.4 percent is even higher. In February 2009, the County alone had 4 percent (548,000) of all unemployed persons in the nation. Only California and six other states had a larger number of unemployed than the County.

The ARRA's full fiscal impact on the County will not be known for some time. This is because the County will receive most of its ARRA revenue through entitlement programs, such as Medicaid and Temporary Assistance for Needy Families (TANF), for which the County's annual revenues are affected by future changes in caseloads and costs and by State budget and policy decisions. Moreover, most discretionary funding that the County is eligible to receive will be awarded either through direct Federal competitive grants or indirectly by the State, which has broad discretion over the allocation and use of funds.

### Medicaid

**The greatest positive fiscal impact on the County, by far, will come from the temporary increase in the Federal Medical Assistance Percentage (FMAP),** the Federal match rate for Medicaid assistance costs, from October 1, 2008 through December 31, 2010. The increase in California's FMAP from 50 percent to 61.59 percent will reduce the County's Medicaid costs by an estimated \$475.6 million. Language in the bill requires the State to use part of its increased Medicaid revenue to reimburse counties in proportion to their respective share of total non-Federal costs.

The County estimates receipt of \$11.3 million in increased Disproportionate Share Hospital (DSH) payments from the bill's 2.5 percent increase in state DSH allotments in Fiscal Years (FYs) 2009 and 2010. The increased Medicaid revenue will help reduce the County's budget shortfalls for health, mental health, and In-Home Supportive Services programs that are funded, in part, by Medicaid.

### Title IV-E Foster Care and Adoption Assistance

The ARRA also provides a temporary across-the-board 6.2 percentage point increase in the FMAP for Title IV-E foster care maintenance and adoption assistance payments. The State and the Department of Health and Human Services (HHS) currently are negotiating increases in the County's annual Title IV-E allotments, which are capped under an existing Title IV-E waiver, to reflect the increase in California's FMAP to 56.2 percent from the 50 percent that was assumed when the annual allotments originally were determined. The County's Title IV-E costs would be reduced by an estimated \$32 million if HHS uses the methodology for applying the FMAP increase supported by the County and the State.

### Temporary Assistance for Needy Families Emergency Contingency Fund

Next to the temporary FMAP increase, the County should receive the most Federal revenue from the ARRA's Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund (ECF), which is targeted at states, such as California, which have increased TANF funding needs due to the recession. In FYs 2009 and 2010, the State will be eligible to receive quarterly grants equal to 80 percent of increased quarterly expenditures for basic assistance, subsidized employment, and non-recurrent short term benefits under TANF (CalWORKs). The County wants to use ECF funds for new initiatives to place up to 10,000 unemployed residents into temporary subsidized jobs and expand CalWORKs eligibility to unemployed persons whose countable incomes or assets are too high to qualify under current State law. We are asking that the State equitably allocate ECF funds to counties in proportion to their share of increased expenditures eligible for 80 percent ECF funding, and also are developing proposals to expand CalWORKs eligibility.

### Other States and Local Grants

The Federal government has moved quickly to announce ARRA formula grant allotments for programs in which the County receives direct funding and state block grants in which the County is eligible to receive mandatory pass-through or discretionary funding from the State. Our largest direct allotment is \$15.4 million from the Energy Efficiency and Conservation Block Grant (EECBG), and largest mandatory pass-through allotment will be \$33.7 million in Workforce Investment Act funding. The County has also received \$44.6 million from California's \$2.57 billion highway infrastructure allotment. This represents only 1.74 percent of the State's total funding and only 0.17 percent of the \$26.66 billion in highway funding allocated to all states. The State has not yet announced how it would allocate other ARRA block grant funding, such as the State Energy Program, over which it has discretion. County departments have begun planning how they will use their formula grant allocations.

The County is eligible to receive nearly \$12.2 million for homelessness prevention and rapid re-housing activities through the Emergency Shelter Grant (ESG). We plan to use ESG funds to develop rapid re-housing programs; expand housing assistance for

families and individuals who do not meet income qualifications for existing programs; and provide case management and supportive services to assist people with housing stability and placement. Additionally, ESG funds will be used to enhance data collection and evaluation.

### **County Implementation**

The County also has been monitoring both Federal and State ARRA websites for competitive grant opportunities, and County departments have begun to prepare and submit competitive grant applications. Most notably, the Sheriff's Department recently submitted an application requesting funds to hire 354 police officers under the bill's COPS Hiring Recovery Program. The County prefers formula grants over competitive grants because these grants are faster to implement, and provide greater local discretion to meet locally determined needs and priorities. In addition, potential competitive grant funding typically is too small to serve the entire County and is awarded in amounts that are small relative to the County's population size, which is larger than all but eight states.

The County is developing an intranet website on the ARRA to post updated information for County departments as well as an internet website to inform County residents, businesses, and other entities on the County's implementation of the ARRA. In addition, there are internal task forces and teams addressing not only the pursuit of ARRA funding, but also planning for the use, accounting, monitoring, and reporting of the funds received by the County.

### **Remedies for the Future**

From our experience with the stimulus legislation to date, we have identified that funding was not included for important County shovel ready capital projects, which would have supported employment opportunities, and that many of the existing Federal formulas disadvantage California and the County.

- The County supports Federal stimulus funding for capital projects. When the Federal stimulus debate began, the County assembled, amongst other projects, capital projects that were shovel ready. This included hospitals, parks and justice facilities. The County has a total of 95 projects with a value of approximately \$920 million that are shovel ready; and of this total, 85 projects with a value of \$140 million would be ready to break ground within 120 days. We were disappointed when the final version of ARRA provided relatively little funding for shovel ready projects.
- The County also supports the more equitable allocation of highway and other surface transportation funding. California literally is a donor state which receives less funding from the Highway Trust Fund than it pays in Federal fuel taxes into the Fund. The County received only 0.17 percent of ARRA's total highway formula grant funding because those funds were allocated using existing funding formulas, which

not only disadvantaged California, but also populous urban areas, such as the County, within the State. As a result, 51 highway and other transportation projects totaling \$114.2 million in the County will go unfunded. Therefore, while increased Federal transportation funding is important, it is even more important that available Federal funding be equitably allocated in the future.

- The County supports revising Federal funding formulas, especially the methodology used to determine each state's FMAP, to make them more equitable for California. California is a major "donor" state, which contributes far more in Federal taxes than it receives in Federal spending. A major contributing factor to this imbalance is the inequitable allocation of Federal funds, which has been highlighted in the ARRA under which most funding is allocated using existing grant formulas. The greatest inequity for California is the State's relatively low FMAP -- the Federal match rate for Medicaid and Title IV-E foster care and adoption assistance payments, which together account for over one-half of total Federal funding to all states. The ARRA temporarily increased California's Medicaid FMAP from the statutory minimum of 50 percent to 61.59 percent, which is still lower than the FMAPs that 24 states and the District of Columbia would have received in FY 2009 without the ARRA. This means that California would receive billions of dollars more Medicaid and IV-E funding on an ongoing basis if the State's FMAP were the same as that of the average state. California's FMAP is lower than the vast majority of states due to its relatively high per capita income -- a factor that does not take into account the State's relatively high percentage of uninsured and poor residents.