

County of Santa Clara
Office of the County Executive
Intergovernmental Relations




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DATE: January 27, 2009

TO: Board of Supervisors

FROM: 
Gary A. Graves
Acting County Executive

SUBJECT: Report Relating to Opportunities for the County to seek Federal funding from the American Recovery and Reinvestment Act of 2009 (Economic Stimulus Package) and/or the 2008 Troubled Assets Relief Program (Bail Out)

RECOMMENDED ACTION

Accept report on opportunities for the County to seek Federal funding from the American Recovery and Reinvestment Act of 2009 and/or the 2008 Troubled Assets Relief Program.

FISCAL IMPLICATIONS

There is no fiscal impact related to accepting this report.

REASONS FOR RECOMMENDATION

At the December 16, 2008 Board meeting, the Board requested a report regarding opportunities to seek Federal funding from the American Recovery and Reinvestment Act of 2009 and/or the Troubled Assets Relief Program (TARP).

Economic Stimulus Package

On January 16, House Democrats released bill language for the American Recovery and Reinvestment Act of 2009, commonly referred to as the Economic Stimulus Package. The bill, developed by the new President's Administration and Congressional leaders, is intended to stimulate the economy by providing \$825 billion in targeted areas.

The main goal of the economic stimulus package is to stimulate the economy by creating direct and indirect jobs through the funding of various infrastructure projects and other programs. The stimulus package does not include project specific appropriations or "earmarks." Instead, funds will be distributed through existing formulae and processes. A key principle of the stimulus package is immediate implementation of the programs funded through the bill. Funding for planning functions is not included in the bill.

The stimulus package targets investments to the following key areas: clean, efficient energy; science and technology; modernization of roads, bridges, transit, and waterways; 21st century education; healthcare costs and improved health information technology; assistance to displaced workers; and aid to states.

Potential County Benefits

The County is likely to benefit both directly and indirectly from provisions in the stimulus package. The package includes a variety of funding mechanisms including block grants, competitive grants, and loans. Increases to some existing formula-based grants and payments are also included in the package.

The stimulus package provides \$6.9 billion to fund the Energy Efficiency Block Grant program. These funds would help state and local governments implement innovative practices to improve energy efficiency, lower energy usage, and reduce greenhouse gas emissions. An additional \$1.5 billion is included to provide energy efficiency grants and loans to school districts, colleges, and municipal utilities to implement energy efficiency projects. The County has ten "ready-to-go" energy efficiency projects totaling \$2.5 million, which may be eligible for this funding.

Additional energy efficiency programs funded in the stimulus package that may benefit the County include a \$200 million grant program to encourage electric transportation, \$400 million to help state and local governments purchase efficient alternative fuel vehicles, and \$300 million in grants and loans to state and local governments for diesel emissions reduction projects.

The stimulus package also includes funding in the amount of \$30 billion for road, highway, and transit infrastructure improvements. In addition, the package includes \$2 billion for upgrades and repairs to modernize existing transit systems, including computers, equipment, structures, and signals. The funding will be distributed through existing formula, although which formula will be used has yet to be determined. The County Roads Department estimates that the County may receive between \$8 million and \$18 million depending on the distribution plan.

Funds in the amount of \$20 billion for health information technology projects are included in the stimulus package. Projects likely to be funded are those that computerize health records to cut costs and reduce medical errors. The Santa Clara Valley Health and Hospital System has a \$12 million project that may meet the requirements to receive this funding.

States and local governments will also receive financial aid under the provisions of the stimulus package. The package includes a temporary increase in the Federal Matching Assistance Program (FMAP) for Medicaid, funds for training and employment services, expansion of the Food Stamp Program, funds for child support enforcement, funds for block grants for the Temporary Assistance for Needy Families, and an increase to local law enforcement grants. The economic stimulus package also extends the current moratorium on Medicaid regulations from March 2009 to October 2009.

The County does not directly receive Medicaid funds. Medicaid (Medi-Cal in California) is a Federal and State-funded program. The stimulus package proposes a 4.8 percent increase in the share of Medicaid costs that the Federal government reimburses states. An FMAP increase would be good for California as it would provide new Federal money to support healthcare and provide some relief to the State's current budget crisis, which, in turn, may help prevent some of the cuts proposed to County-operated health and welfare programs.

The stimulus package includes \$4 billion for training and employment services. At the local level, these funds would likely go to NOVA (the North Valley Job Training Consortium) and the City of San Jose, which are the Workforce Investment Act agencies in our county. The Social Services Agency Director reports that the summer youth program may be reinstated with these additional funds.

A \$20 billion expansion to the Food Stamp Program is included in the stimulus package. This would provide nutrition assistance to modest-income families and lift restrictions that limit the amount of time individuals may receive food stamps.

The stimulus package provides \$1 billion in Federal incentive funds for states to collect child support owed to families. It is not yet known how these funds would be allocated among states and then to local child support enforcement agencies. This increase may go directly to the State. In that case, the funds would help alleviate some of the State's fiscal pressure, which may be an indirect benefit to the County.

The Temporary Assistance to Needy Families (TANF) block grant program would be increased by \$2.5 billion to help states deal with the surge in families needing assistance during the recession and to prevent states from cutting work programs and services for abused children. The increase in TANF funds may prevent the State's proposed cuts to the CalWORKS program.

Local law enforcement grants would receive a \$4 billion increase for the Byrne Justice Assistance program and COPS hiring program. The Sheriff's Office currently receives COPS funds, which pays for two deputies assigned to do community policing in the Moffett Field unincorporated area.

Over the years, the Federal regulatory process has been used to chip away at the Medicaid program. There were seven rules scheduled to go into effect in 2008, with implementation of six of them postponed until March 2009. These six rules, if implemented, would reduce the County's Medicaid funding by \$40 million a year. The stimulus package extends the moratorium on these rules through October 2009.

Emergency Economic Stabilization Act of 2008 (2008 Bail Out)

In October, Congress passed H.R. 1424, the Emergency Economic Stabilization Act of 2008 in an effort to stabilize the country's financial system and restore confidence in the credit markets. The Act established the Troubled Assets Relief Program (TARP) and provides \$700 billion for the Treasury Department to purchase failing bank assets. The Act also included language requiring the Treasury Secretary to consider local governments' investment losses resulting from the collapse of some financial institutions. The County of San Mateo was coordinating an effort of local governments in the state to obtain TARP funding. County Finance staff has been involved in this effort as the County had two investments with failed financial institutions. Those investments were a \$1 million corporate note with Lehman Brothers and a \$1.5 million note with Washington Mutual Bank.

The Treasury Secretary has not exercised his authority to assist local governments. In response, Senator Feinstein has introduced the Troubled Assets Relief Program for Local Governments Act of 2009. The bill would require the Federal Treasury Department to reimburse counties and cities for their losses from highly rated investments held with the financial institutions that failed.

Advocacy Efforts

The County already submitted a list of projects in the fall of 2008 at the request of the California State Association of Counties (CSAC), and the Roads Department submitted a list as well to the Metropolitan Transportation Commission at its request in that same time frame.

More recently, the County sent a letter to our Congressional delegation in support of the American Recovery and Reinvestment Act and to advocate for aid to local governments and funding for infrastructure projects, such as, transportation, public facilities, energy efficiency, and health information technology. The letter included a list of thirty “ready-to-go” projects. The letter also requested our members of Congress to support stimulus funding beyond physical infrastructure and fund increases in health and welfare programs that serve County clients.

Both CSAC and the National Association of Counties (NACo) are advocating for passage of an economic stimulus package that provides aid to counties.

The County’s Federal lobbyist, BKSH and Associates, is closely monitoring Congress’ discussions on the stimulus package and providing weekly updates. BKSH and Associates will notify County staff when Congress begins to develop methods for obtaining stimulus funds and to help position the County to receive such funds.

The County has also communicated support for Senator Feinstein’s bill, the Troubled Assets Relief Program for Local Governments Act of 2009, to the members of our Congressional delegation.

ATTACHMENTS

- List of Infrastructure Projects