



The Road Ahead

A Look at the New Administration's Stimulus Package and How it Could Affect Your Business

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American Recovery and Reinvestment Act “The Stimulus Package” Overview

\$787 billion over 2 years

- Largest domestic Infrastructure and jobs spending program since The New Deal

Major Themes:

1. Job Creation (estimated 3.5 million new jobs)
2. Shovel Ready Projects (e.g. infrastructure)
3. Green Incentives (programs for Individual, Business, and Alternative Energy Production)

\$575 billion in Spending

- \$308 billion in discretionary spending (e.g. \$54 billion in direct aid to States.
- \$267 billion in mandatory spending (e.g. \$90 billion in Medicaid spending)

\$212 billion in tax cuts (e.g. Making Work Pay Tax credit – individual and Accelerated depreciation – business)

6 FUNDING CATEGORIES

1. Infrastructure
2. Health Care
3. Energy and the Environment
4. Education and Research
5. Tax Relief
6. Small Business

INFRASTRUCTURE

Construction projects create jobs quickly

- The act calls for construction projects to be “Shovel Ready”
- Both the Transportation and the Housing funds have “Use it or lose it” provisions
- Almost every agency was provided funds for the construction of agency-owned or agency-run buildings.
 - The General Services Administration received \$5.25 billion to renovate federal buildings and courthouses.

TRANSPORTATION

Highway Infrastructure and Bridges (\$29 billion)

States have already submitted the list of projects to be funded and the money is flowing.

Public Transportation – (\$17.7 billion)

- Mass Transit (\$8.4 billion)
 - Much of this funding has already been allocated to the States and urban areas through formula.
- Amtrak (\$1.3 billion)
- High Speed Rail (\$8 billion)
 - Funds are to be used to advance the goals of deploying intercity high speed rail systems in the United States by funding the Capital Assistance to States program (started in 2008) and the High Speed Passenger Rail program (new program).

LOW INCOME HOUSING

- **Public Housing Capital Fund (\$4 billion)**
 - Assist public housing authorities in rehabilitating and retrofitting public housing units, including increased energy efficiency of units and safety repairs.
- **Neighborhood Stabilization Fund (\$2 billion)**
 - Assist entities in the purchase and rehabilitation of foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight.
- **HOME Investment Partnership (\$2.25 billion)**
 - Funds to coordinate with Low Income Housing Tax Credits to fill financing gaps and jumpstart stalled housing development projects
- **Homelessness Prevention Fund (\$1.5 billion)**
 - Short-term or medium-term rental assistance, housing relocation, and stabilization services
- **Assisted housing Stability and Energy and Green Retrofit Investments (\$2.25 billion)**
 - Funds will be used for full year payments to participating landlords to increase energy efficiency to their properties, including new insulation, windows, and furnaces.
- **Lead Hazard Reduction Program (\$100 million)**
 - Funds may be used to abate lead-based hazards in eligible privately-owned rental or owner-occupied housing.

HEALTH CARE

The American Recovery and Reinvestment Act (ARRA) works to upgrade the American medical system through:

- Funding for electronic health records and health information technology
- Advanced research opportunities and
- A focus on keeping people out of the hospital

ELECTRONIC HEALTH RECORDS (EHR) REIMBURSEMENT

Medicaid

- “Meaningful use” of EHR
- Total reimbursement of up to \$65,000 over five years per physician
- First year’s payments can be applied to the purchase of equipment; following years are incentive payments
- A certain percentage (20-30 percent) of patients must be Medicaid beneficiaries
- Formula based on patient discharges

Medicare

- “Meaningful use” of EHR
- Beginning in 2015, penalties will be implemented
- Total reimbursement of up to \$48,400 over five years per physician – eligible: physicians, dental surgeons, dentists, podiatrists and chiropractors who participate in Medicare
- Total reimbursement of up to \$11 million per hospital
- Formula based on patient discharges

ELECTRONIC HEALTH RECORDS (EHR) REIMBURSEMENT

The EHR technology must include:

- Patient demographics
- Clinical health information (e.g., medical history and problem lists)
- Have the ability to provide clinical decision support for physician order entry
- Be able to capture and query information relevant to health care quality
- Be able to exchange electronic health information with, and integrate such information from, other sources

EHR GRANTS AND LOANS

\$2 billion through the Department of Health and Human Services

- Funds are to be used for investments in health IT that will advance the creation of a national, integrated system
- \$300 million to support regional and subnational efforts to improve interoperability
- A separate loan program will be run through the state to ensure widespread availability

BROADBAND PROVISIONS

Two main programs for equipment and infrastructure funding to provide broadband service to the unserved and “underserved”:

- Department of Agriculture (\$2.5 billion): Funds will be provided through the existing broadband program run by the Rural Utilities Service. Those projects funded through RUS grants are not eligible for funding through the Department of Commerce program.
- Department of Commerce (\$4.7 billion): New program to be coordinated by the assistant secretary. Funding will be for projects that can be completed in two years. At least one grant will be provided in each state.

MEDICAL RESEARCH

NIH grants

- \$1.3 billion at the National Center for Research Resources
 - Grant requests are already being released
- \$8.2 billion at the National Institutes of Health
 - \$7.4 billion will be distributed to the Institutes based on the FY09 appropriations funding
 - \$800 million at the discretion of the secretary; the RFA for a portion of these funds has already been released

MEDICAL RESEARCH

Comparative Effectiveness

- \$1.1 billion at the Agency for Healthcare Research and Quality
 - HHS has the authority to make grants and contracts with, among others, private-sector entities that have demonstrated experience with and capacity to achieve the goals of comparative effectiveness research

National Science Foundation

- \$900 million in competitive grants for equipment and facilities that will support unique projects in a cross section of discipline

PREVENTION AND WELLNESS

Centers for Disease Control

- \$300 million formula grants for state and jurisdictional immunization programs currently funded through the CDC

Prevention and Wellness Fund

- \$650 million competitive grants for evidence-based clinical and community based prevention and wellness strategies
- \$50 million state formula states for health care associated infection reduction

GREEN AND RENEWABLE ENERGY

Throughout the ARRA, projects are given priority for having a green aspect. There are specific funds for:

- Construction and retrofitting to create energy efficient residential, commercial and federal buildings
- Incentives for the production of green energy

GREEN ENERGY TAX CREDITS AND BONDS

Business Tax Credits

- 10-30 percent tax credit for the cost of solar or geothermal equipment
- Eliminates the cap on the credit for small wind property purchases
- Tax deduction of up to \$1.80 per square foot for owners or tenants or designers of new or existing commercial buildings that are constructed to save at least 50 percent of the heating, cooling, ventilation, water heating and interior lighting energy costs
- Tax credit for investment in advanced energy facilities, including re-equipping, expanding or establishing a manufacturing facility for production of products that will generate renewable energy (\$2.3 billion available nationally)

GREEN ENERGY TAX CREDITS AND BONDS

Qualified Energy Conservation Bonds

- \$2.4 billion an additional allocations to state and local governments for bonds
 - Bonds are now able to finance grants and loans for the retrofitting of private buildings as well as to fund demonstration projects

Residential Energy Efficiency Tax Credit

- Purchase of equipment and to improve the energy efficiency in the home
- Increases the credit from 10 percent to 30 percent and increases the lifetime cap from \$500 to \$1500 for two years
 - Qualifying energy updates: electric heat pumps, central air systems, water heaters and windows

RENEWABLE ENERGY LOANS

Temporary program for rapid deployment of renewable energy and electric power transmission projects

- Funds appropriated to support more than \$60 billion in loans
- Projects include: renewable energy technology and transmission technology (including biofuels production facilities) that can commence no later than September 30, 2011

ENERGY EFFICIENCY

\$2.5 billion for applied research, development demonstrations, and deployment

- \$800 million for biomass technologies
- \$400 million for geothermal technologies

\$3.2 billion for energy efficiency and conservation block grants to states

- Conducting residential and commercial building energy audits; establishing financial incentives for energy improvements; providing grants to nonprofits for energy efficiency retrofits
- Distributed through formula, except for \$400 million for be placed in a competitive grant program

FOSSIL FUELS

- \$1 billion for fossil energy research and development programs
- \$1.52 billion for competitive solicitation for industrial carbon capture and energy efficiency improvement projects
 - Including innovative concepts for beneficial CO₂ reuse

FEDERAL BUILDING IMPROVEMENTS

- \$4.5 billion to update GSA facilities to high-performance green buildings
- \$300 million to update border stations and land ports of entry
- \$750 million to update federal buildings and US courthouses
- \$650 million to construct a new headquarters for the Department of Homeland Security

EDUCATION

Education plays a major role in the ARRA

- A majority of the funding will be funneled through the states through the state stabilization fund and the formula grant payments for K-12 education
- Institutions of higher education are eligible for training funding and financial assistance for students

K-12 EDUCATION

Title I

- \$13 billion for Title I programs with 50 percent through targeted grants and 50 percent through education finance incentive grants

IDEA

- \$12.2 billion is additional funding for the existing IDEA funds

Early childhood education

- \$5 billion for existing programs including Head Start, early Head Start, child care block grants, and programs for infants with disabilities

\$2 billion for other education investments, including pay for performance, data systems, teacher quality investments, technology grants, vocational rehab and Impact Aid

STUDENT ASSISTANCE

Health Resources and Services Agency (HRSA)

- \$200 million scholarship and loan repayment training for primary care providers: family medicine, internal medicine, pediatricians, dentists and nurses

Student Financial Assistance: College Work-Study Program

- \$200 million new federal program to support low- and moderate-income undergraduate and graduate students who work while attending school
- Each participating institution must use at least 7 percent of the allocation for service activities

STUDENT ASSISTANCE

Pell Grant assistance

- \$15.64 billion in funding to support the \$4,860 toward the Pell Grant awards for 2009-2010 award year with an additional \$490 in mandatory funding
- The total maximum Pell Grant award will be \$5,350

Department of Labor: employment and training funds

- \$250 million formula funds to states for competitive grants to facilitate increased training of individuals for high-demand occupations, with priority going to the health care sector

STATE STABILIZATION (\$53.5 BILLION)

81.8% of a state's allocation

- Funds are to be distributed by the governor to local school districts and public Institutions of higher education
- Institutions of higher education are to use the funds to mitigate the need to raise tuition and fees
- Institutes of higher education can use the funds to modernize, renovate or repair facilities used for instruction, research or student housing
- Prohibited uses of funds include for endowments and construction of stadiums

18.2% of a state's allocation

- Public safety and other government services which may include educational services.
- Institutions of higher education may used the funds for modernization, renovation and repair activities that are consistent with state laws

INNOVATION AND INCENTIVE FUND

\$5 billion total funding

- \$650 million for innovation. Eligible are local school districts, or a partnership between a nonprofit and a school or consortia of schools. Awards will be based on gains in closing the achievement gap and meet other state criteria. The districts must also demonstrate that they can get matching funds through partnerships with the private sector.
- The rest of the funding is for incentive grants to states that are able to show maintaining state funding for education at 2006 levels, achieving equity in teacher distribution, improving data collection and use and improving standards and assessment

TAX RELIEF

For Individuals:

Making Work Pay - Refundable income tax credit is the lesser of 6.2% of earned income or \$400

Earned Income Tax Credit - Temporarily increased to 45%

Higher Education Tax Credits - Up to \$2,500 per eligible student per year for qualified tuition and related expenses for each of the first four years

First-Time Homebuyer Credit - Up to \$8,000 with no payback requirement

Vehicle Tax Credit - Provides allowable deductions that include any State or local sales tax or excise tax imposed on a qualified motor vehicle

AMT - Extends the tax relief through the 2009 tax year

Refundable Credit for Certain Federal and State Pensioners - a onetime refundable tax credit of \$250 in 2009

TAX RELIEF

For Corporations:

First-year Property Depreciation Deduction - permitting these businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States.

Recognition of Historic AMT/R&D Credits - accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of bonus depreciation.

Delayed Recognition of Certain Cancellation of Debt Income - The amount of cancellation of debt income may be recognized over 10 years for specified types of business debt.

Incentives to Hire Unemployed Veterans and Disconnected Youth- allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of the targeted groups.

Small Business Tax Credits and SBA Programs

Tax Credits

Extension of Enhanced Small Business Expensing - allowed to write-off up to \$250,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed \$800,000 (indexed for inflation).

5-Year Carryback of Net Operating Losses - extend the maximum period from two years to five years for small businesses with gross receipts of \$15 million or less

Capital Gains - allows a 75% exclusion for individuals on the gain from the sale of certain small business stock held for more than five years

Estimated Tax Payment Relief - reduces the 2009 required estimated tax payments for certain small businesses

SBA Bonds and Loans

Surety Bond Guarantees Revolving Fund - the SBA has temporarily raised the Surety Bond limit for small business contracts from \$2 million to \$5 million dollars. Under certain circumstances (with certification from a Federal contracting officer), that limit can be raised to \$10 million

Business Loans Program Account – the bill allows for a temporary increase for a guarantee of up from 85% to 90%. In addition, borrower fees are temporarily eliminated from the 7(a) lending program.

WHAT TO DO NEXT

- “Most Important People in Washington”
- Funding is not flowing as quickly as hoped; but be ready for the RFA when it is released
- Have an institutional plan so your organization is not competing against itself and you are putting forward the best possible projects
- Coordinate with local, state and federal officials
- Program language is likely to be interpreted broadly to spur quick spending
- Think boldly
- Remember the themes of the bill: shovel-ready, job creation and green
- Prepare now for reporting and audits