

THE  
NEW ENGLAND  
COUNCIL

**SELECT SUMMARY OF THE CONFERENCE REPORT  
TO ACCOMPANY H.R. 1 (P.L. 111-5)**

**THE AMERICAN RECOVERY  
AND REINVESTMENT ACT OF 2009**

*Prepared by The New England Council  
February 25, 2009*

## **Overview**

On February 17, 2009, President Obama traveled to Colorado to sign into law *The American Recovery and Reinvestment Act of 2009*, an economic stimulus bill aimed at jumpstarting our national economy. The bill contains a combination of tax relief for individuals and businesses as well as unprecedented financial support for state governments and federal agencies to support a variety of sectors of the economy. Numerous Council priorities such as transportation infrastructure, conventional and renewable energy programs, health information technology investment and expanding educational opportunities are included in the massive bill.

While assessing the final versions of the stimulus plan that ultimately yielded the conference agreement, the Congressional Budget Office (CBO) gave a positive analysis of the short-term impacts of large fiscal stimulus plans like the one approved by Congress, while being mindful of potential long-term implications. The CBO found that, "in the short run the stimulus legislation would raise [Gross Domestic Product] and increase employment by adding to aggregate demand and thereby boosting the utilization of labor and capital that would otherwise be unused because the economy is in recession." Supporters project the new law will save or create up to four million jobs at a time when unemployment exceeds 7%.

However, the CBO also indicated that while the plan contains strong potential for significant short-term growth, a possibility exists that, "the legislation would reduce output slightly in the long run," saying the, "principal channel for this effect is that the legislation would result in an increase in government debt. To the extent that people hold their wealth as government bonds rather than in a form that can be used to finance private investment, the increased debt would tend to reduce the stock of productive private capital." The CBO estimates that, "in the long run, each dollar of additional debt crowds out about a third of a dollar's worth of private domestic capital." The analysis does say those effects can be offset by less tangible factors, such as increased productivity stemming from investment in transportation infrastructure or incentives for workers to get a college education and be more productive.

## **Business and Individual Tax Relief**

**Making Work Pay Credit:** One of the bill's signature initiatives is a provision to put more money in the hands of Americans with an immediate tax credit. Instead of tasking the Internal Revenue Service with cutting rebate checks to millions of Americans (a strategy used in last year's stimulus bill that resulted in many Americans simply saving the rebates or paying down debt), lawmakers instead chose to reduce the withholding amounts in individual paychecks. Experts indicate the average worker will see approximately \$13 a week more in their paychecks. This "Making Work Pay" tax incentive will provide \$400 annually for individuals making up to \$75,000 and \$800 for couples earning \$150,000. The Joint Committee on Taxation estimates the provision will cost \$116.2 billion.

**Home and Auto Sales:** Although the stimulus bill does not have a significant direct focus on the struggling financial services industry or the ability of consumers to access credit for mortgages or auto loans, the bill does modify an existing program for first-time homebuyers, removing a repayment requirement and increasing the amount of the credit from \$7,500 to \$8,000. JCT estimates the first-time homebuyer provision will cost \$6.6 billion through 2019. The bill also includes a \$1.68 billion provision to make the sales tax paid on a new automobile tax deductible up to a purchase price of \$49,500.

**AMT:** Over the last few years Congress has struggled to blunt the reach of the alternative minimum tax, debating the need to find budgetary offsets for a tax that was originally designed to prevent wealthy Americans from legally skirting tax responsibilities but annually threatens to affect over 20 million middle class taxpayers. Lawmakers settled the debate early this year, including a one-year AMT patch in the stimulus for 2009. The nearly \$70 billion provision is nearly 9% of the entire package

**Federal Benefit Increases and College Tax Credit:** Congress included provisions to increase federal payments to those receiving Social Security, as well as unemployment and food stamp benefits, and to expand programs to assist those affected by free trade policies. In addition, the stimulus package expands the college tax credit to provide a \$2,500 credit for families making less than \$160,000.

**Targeted Business Assistance:** From a business standpoint, the net operating loss carry-back provision in the bill (for 2008 only) was trimmed in the final hours of the conference committee to cover small businesses with receipts of less than \$15 million. H.R. 1 does include an extension of bonus depreciation provisions, increased small business expensing, and new incentives to hire workers and invest in physical facilities and equipment. In addition, it reduces the capital gains taxes for small business investors as long as the stock is held for at least five years. The Joint Committee on Taxation believes the sum of what it identifies as business tax incentives will total \$6.15 billion by 2019.

## **State-based Programs**

### **Transportation**

*Highways, Bridges, and Tunnels:* H.R. 1 provides states and local governments with \$27.5 billion to build new highways, roads, and bridges, and renovate America's deficient and obsolete structures. The bill includes an additional \$1.5 billion in competitive grants to state and local governments to improve transportation systems. Congress included a provision that a majority of the funding be used to put people back to work quickly or within four months risk losing the remaining funds, noting, "That 120 days following the date of such apportionment, the Secretary of Transportation shall withdraw from each State an amount equal to 50 percent of the funds awarded to that State...less the amount of funding obligated."

*Rail and Public Transportation:* Amtrak, high-speed rail and intercity passenger rail will receive a \$9.3 billion boost in federal funding under H.R. 1. This includes \$8 billion in competitive grants for the development of high speed rail, and the intercity passenger rail service improvements, and a \$1.3 billion set aside for Amtrak. The bill also includes \$8.4 billion for Capitol Investment Grants, transit system modernization, and other public transportation improvements.

### **Education**

*Higher Education:* The final version of the economic recovery bill includes a \$15.6 billion increase in Pell Grants, noting, "The maximum Pell Grant for which a student shall be eligible during award year 2009-2010 shall be \$4,860." Beginning in the next school year (2009-2010), eligible students will receive a \$500 increase in their grant award. H.R. 1 provides an additional \$200 million for college work study programs.

*State Fiscal Stabilization Fund:* H.R. 1 includes \$53.6 billion investment in public education by providing states with money to prevent further cuts to education and teacher layoffs due to budget deficits. The State Fiscal Stabilization Fund allocates funding for priorities such as school modernization, improving educational performance and renovating K-12 or higher education facilities.

*Title I:* H.R. 1 provides \$13 billion to programs created to close the education gap that exists in America, and ensure that disadvantaged children have equal access to a quality education.

*Special Education (Individuals with Disabilities Education Act funding):* The bill provides \$12.2 billion to increase the federal share in special education funding.

**Medicaid Funding:** Congress included a 6.2 percent retroactive Federal Medical Assistance Percentage increase effective from October 1, 2008 through December 31, 2010 to help states provide basic services to unemployed workers. In addition, the bill increases Disproportionate Share Hospital Payments by 2.5 percent above the Fiscal

Year 2009 funding levels and extends certain Medical regulation delays. The bill also extends the Transitional Medical Assistance and the Qualified Individual Program.

## **Federal Investment in Infrastructure**

### **Health Care**

*Health Information Technology (HIT):* H.R. 1 includes provisions that some healthcare experts say will reduce the number of lives lost to medical errors, and save Americans money by ensuring efficiency and quality of care in the healthcare system. The bill authorizes the federal government to set guidelines for nationwide HIT adoption, and provides increased funding to doctors and hospitals that participate in the Medicaid and Medicare programs, and other healthcare providers that meet minimum HIT federal requirements.

*National Institutes of Health:* H.R. 1 distributes \$10 billion to the NIH. The economic recovery bill provides the NIH with \$8.2 billion to continue to conduct cutting-edge biomedical research. \$1.3 billion of the overall amount will be used to, "construct, renovate or repair existing non-federal research facilities."

### **Improvements in Energy Generation**

*Modern Electric Grid:* \$4.5 billion is allocated in the bill for the Electricity Delivery and Energy Reliability program, a Department of Energy program designed to, "modernize the electric grid; enhance security and reliability of the energy infrastructure; and facilitate recovery from disruptions to energy supply." \$100 million of that funding is earmarked for worker training and education.

*Conventional Energy Production:* Fossil Energy Research and Development activities receive \$3.4 billion, including funding dedicated to clean coal programs and carbon capture projects.

*Renewable Energy and Energy Efficiency:* The bill specifies \$16.8 billion for a variety of alternative energy and energy-saving programs. Among the programs:

Energy Efficiency and Conservation Block Grant program: EECBG receives \$3.2 billion. The EECBG program aims to, "assist eligible entities in implementing energy efficiency and conservation strategies," including, "to reduce fossil fuel emissions created as a result of activities within the jurisdictions of eligible entities; to reduce total energy use; and to improve energy efficiency in the transportation, building, and other appropriate sectors.

Biomass and Geothermal: \$800 million for biomass projects and \$400 million for geothermal research activities.

Weatherization: \$500 million for the Weatherization Assistance Program.

Funding for States: \$3.1 billion for the State Energy Program, described by the U.S. Department of Energy as providing, “grants to states and directs funding to state energy offices from technology programs in DOE’s Office of Energy Efficiency and Renewable Energy. States use grants to address their energy priorities and program funding to adopt emerging renewable energy and energy efficiency technologies.”

Next Generation Vehicles: The bill has a number of programs designed to foster research for advanced battery capabilities, including \$2 billion for Advanced Battery Manufacturing grants, \$300 million for the Alternative Fuel Vehicles Pilot Grant Program, and \$400 million for Transportation Electrification.

Loan Programs: \$6 billion is appropriated to support an expected \$60 billion in “Innovative Technology” loans to foster, “renewable technologies and transmission technologies.” This includes \$10 million to provide support for the Advanced Technology Vehicles Manufacturing Loan program.

*Tax Incentives:* The Joint Committee on Taxation has scored 14 total energy-related tax provisions in the stimulus package for a total of \$6.2 billion in the next five years and nearly \$20 billion over the next decade. This includes a three-year extension of the production tax credit (\$13.1 billion), as well as new renewable energy and energy conservation bonds, energy efficiency programs, and incentives for plug-in electric vehicles.

## **Broadband Internet and Technology**

*Broadband:* Although a tax provision to encourage the growth of broadband capabilities into underserved or un-served areas was dropped in the late stages of debate, the stimulus package does include \$7.2 billion to expand broadband access. \$200 million of this funding is set aside for, “expanding public computer center capacity, including at community colleges and public libraries.”

*National Institute of Standards and Technology:* NIST receives \$580 million in the bill for, “Scientific and Technical Research and Services,” as well as, “Construction of Research Facilities.”

## **Scientific Research**

*National Oceanic and Atmospheric Administration:* NOAA will receive an additional \$830 million. This includes \$230 million, “for NOAA operations, research, and facilities to address a backlog of research, restoration, navigation, conservation and management activities,” and \$600 million, “to improve weather forecasting and to support satellite development. Of the amounts provided, \$170,000,000 shall address critical gaps in climate modeling and establish climate data records for continuing research into the cause, effects and ways to mitigate climate change.”

*Science:* The National Science Foundation sees a \$3 billion boost for its research programs, including the Major Research Instrumentation program. The

Department of Energy's Office of Science, which, "supports unique and vital parts of U.S. research in climate change, geophysics, genomics, life sciences, and science education," receives \$1.6 billion, including \$400 million for the Advanced Research Projects Agency. The National Aeronautics and Space Administration will benefit from over \$1 billion in the package, including funding to, "accelerate the development of the tier 1 set of Earth science climate research missions."

### **Government Accountability**

**Audit and Oversight:** In a provision aimed at providing oversight, accountability, and transparency to the distribution of stimulus bill funding, the measure creates a Recovery Accountability and Transparency Board, "to coordinate and conduct oversight of covered funds to prevent fraud, waste, and abuse." The Board will review, "whether the reporting of contracts and grants using covered funds meets applicable standards and specifies the purpose of the contract or grant and measures of performance." Quarterly reports will be submitted to Congress and the President, and updates will be provided on a website: [www.recovery.gov](http://www.recovery.gov). President Obama also named Earl Devaney, Inspector General of the Department of the Interior and a former Secret Service agent, to lead the Board.

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