

NO SMALL CHANGE

THE STIMULUS PACKAGE AND ITS IMPACT ON YOU

PATTON BOGGS OVERVIEW

On Thursday, February 12, the House and Senate released the conference agreement on the *American Economic Recovery and Reinvestment Act of 2009* (H.R. 1). The House passed the bill Friday, February 13 and the Senate is expected to soon follow suit. The President is expected to sign the bill on Monday, February 16.

In its final form, this landmark legislation is the largest combined spending and tax bill in American history, with a total of \$789.5 billion in spending and tax cuts. The bill will impact a wide range of businesses and industries from healthcare to energy to education and transportation.

Overall, the conference agreement includes \$311 billion in spending. Funding is included for transportation infrastructure upgrades and construction, energy efficiency, State and local stabilization, health care programs, education programs, and housing assistance, as well as numerous other provisions. The bill requires that much of the funding be infused into the American economy quickly, so it is important to understand how the funding will impact your business priorities.

To provide a sense of the overall funding levels, we have prepared a general overview of the bill by subject area. Please note that this is a general overview of funding levels only, and does not report on every aspect of the bill. For a detailed analysis on any subject matter and the process for securing these federal dollars, please contact the Patton Boggs professionals listed for each respective subject area.

BUSINESS

- \$15 million for additional capital for the Surety Bond Guarantees Revolving Fund.
- \$6 million for an additional amount for the cost of direct loans.
- \$630 million for an additional amount for the cost of guaranteed loans.
- \$375 million for reimbursements, loan subsidies and loan modifications for loans to small business concerns.
- \$255 million for loan subsidies and loan modifications for loans to small businesses. \$100 million for an additional amount for the Community Development Financial Institutions Fund Program Account.
- \$8 million for financial and technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian and Alaskan Native communities.

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ENERGY AND NATURAL RESOURCES

- \$3.4 billion for Fossil Energy research and development.
- \$6 billion for new loan guarantees aimed at standard renewable projects such as wind or solar projects and for electricity transmission projects.
- \$11 billion for electrical grid projects, of which \$4.5 billion is for implementing "smart grid" technologies.
- \$5 billion for Weatherization Assistance Program to make low-income housing more energy efficient.
- \$2 billion in grant funding for the manufacturing of advanced batteries systems and components and vehicle batteries that are produced in the United States.
- \$3.2 billion for the Energy Efficient and Conservation Block Grants (EECBG) program:
 - \$2.8 billion available by statutory formula
 - \$400 million awarded competitively.
- \$3.1 billion for the State Energy Program.
- \$2.5 billion for Energy Efficiency and Renewable Energy (EERE) related research:
 - At least \$800 million is dedicated for biomass and \$400 million for geothermal.
 - \$50 million for efficiency of information and communications technology and improve to standards.
- \$300 million for the Alternative Fueled Vehicles Pilot Grant Program.
- \$400 million for transportation electrification.
- \$300 million for Energy Efficient Appliance Rebates Program and Energy Star Program.
- \$250 million for energy retrofitting and green investments in HUD-assisted housing projects.
- \$4.5 billion for repair of federal buildings to increase energy efficiency using green technology.
- \$300 million for Rapid Technology transition and demonstration of energy efficiency technologies at the Department of Defense.
- \$120 million for the Department of Defense for the Defense-wide Energy Conservation Investment Program.

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ENVIRONMENTAL

- \$340 million for Watershed and Flood Prevention construction.
- \$6 billion is directed towards environmental cleanup of former weapon production and energy research sites.
- \$1.2 billion for Environmental Protection Agency's nationwide environmental cleanup programs, including \$600 million for Superfund.
- \$1.38 billion to support \$3.8 billion in loans and grants for needed water and waste disposal facilities in rural areas.

- \$1 billion for the Bureau of Reclamation to provide clean, reliable drinking water to rural areas.
- \$4.6 billion in funding for the Corps of Engineers, including \$2 billion for construction projects.

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FOOD AND DRUG

- \$50 million for competitive grants for the Agriculture and Food Research Initiative.
- \$19.9 billion for additional Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamps, to increase the benefit by 13.6 percent.

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HEALTH CARE

- \$19 billion, including \$2 billion in discretionary funds and \$17 billion for investments and incentives through Medicare and Medicaid to ensure widespread adoption and use of interoperable health information technology (IT).
- \$24.7 billion to subsidize COBRA health insurance premiums — at a level of 65 percent, for nine months — for workers who have lost their jobs.
- \$10 billion to the National Institute of Health (NIH), including \$8.2 billion for NIH research to conduct biomedical research in areas such as cancer, Alzheimer's, heart disease and stem cells, \$500 million for NIH buildings, \$1.3 billion for NIH to renovate university research facilities and to help them compete for biomedical research grants.
- \$1.1 billion for comparative effectiveness research to evaluate the relative effectiveness of different health care services and treatment options.
- \$2 billion for Health Information Technology (HIT) grants, training, infrastructure, dissemination of best practices, telemedicine, HIT clinical education.
- \$50 million for pandemic flu/BARDA.
- \$1 billion for prevention and wellness programs to fight preventable diseases and conditions with evidence-based strategies, including \$300 million for CDC's immunization program, \$650 million for evidence-based clinical and community-based prevention and wellness strategies, and \$50 million for States to implement healthcare-associated infections reduction strategies.

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HOMELAND SECURITY

- \$1.0 billion for aviation security consisting of checked baggage explosives detection system and check point explosives detection equipment.
- \$160 million to U.S. Customs and Border Protection for non-intrusive inspection systems and tactical communications equipment and radios.
- \$100 million for border security on the Southwest border.
- \$420 million for construction of agency owned land border ports of entry.
- \$20 million for tactical communications equipment and radios for U.S. Immigration and Customs Enforcement's Automation Modernization.
- \$142 million for the Coast Guard for alteration or removal of obstructive bridges
- \$150 million for Public Transportation Security Assistance and Railroad Security Assistance.
- \$150 million for Port Security Grants.
- \$210 million for Firefighter Assistance Grants for modifying, upgrading or constructing non-Federal fire stations.

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NATIVE AMERICAN AFFAIRS

- \$3.1 billion for repair, restoration and improvement of public facilities at on public and tribal lands.
- \$510 million for the Department of Housing and Urban Development for Native American Block Grants, of which half to be distributed by existing formula, half through a competitive process with use restrictions.
- \$500 million to Bureau of Indian Affairs for construction.
- \$550 million for the Federal Highway Administration set-aside for Indian reservations and Federal lands, including \$310 million for the Indian Reservation Roads program.
- \$415 million for Indian Health Facilities for construction projects.
- \$85 million for Indian Health Services for Health IT activities.

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TAX

H.R. 1 includes approximately \$287 billion of tax relief for individuals, businesses, and State and local governments.

Bond Provisions

- \$10 billion allocation for recovery zone economic development bonds.
- \$15 billion allocation for recovery zone facility bonds.
- Modification of a Tax-Exempt Interest Expense Rule for Financial Institutions.
- Creation of new category of tax credit bonds for the construction, rehabilitation or repair of public schools.
- Additional \$ 1.4 billion of issuing authority for Qualified Zone Academy Bonds.
- \$2 billion of tax-exempt Tribal Development Bonds.

Energy Incentives

- \$2.3 billion of Investment Tax Credit for certified Qualifying Advanced Energy Projects.
- Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy and marine renewable facilities:
 - Investment Credit in Lieu of Production Credit
 - Grants from Treasury in lieu of production credits
- Extension of Energy Credit for Electricity Produced from Renewable Sources.
- \$1.6 billion of clean renewable energy bonds.
- \$2.4 billion of qualified energy conservation bonds to finance State and municipal and tribal government programs and initiatives.
- Increase in alternative refueling property credit for businesses.

Enhancement of New Markets Tax Credit

- Additional \$1.5 billion for 2008 allocations.
- Additional \$1.5 billion for 2009 allocations.

Low-Income Housing Grants in Lieu of Tax Credits

- Taxpayers would be allowed to receive a grant from the Treasury Department in lieu of tax credits.

Build America Bonds

- State and local governments are provided the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond.
- State or local governments may elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds.

General Business Tax Provisions

- Extension of carryback period for losses for small businesses
- Extension of Bonus Depreciation.

- Extension of monetization of accumulated alternative minimum tax and R& D credits in lieu of bonus depreciation.
- Delay of the 3% withholding tax on payments to businesses that sell goods or services to governments.
- Deferral of Income from Discharge of Indebtedness.
- Modification of rules for original issue discount on high yield obligations.

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TECHNOLOGY AND COMMUNICATIONS

- \$2.5 billion for the Department of Agriculture for distance learning, telemedicine and programs that increase broadband access and usage.
- \$4.7 billion for the National Telecommunications and Information Administration Broadband Technology Opportunities Program (TOP) for competitive grants to accelerate broadband deployment in unserved and underserved areas, with at least \$200 million for competitive grants for expanding public computer center capacity, including community colleges and public libraries, and at least \$250 million for competitive grants for innovative programs for sustainable broadband adoption.
- \$650 million for Digital-to-Analog Converter Box Program for additional implementation and administration of program, including coupons, consumer outreach and support.
- \$650 million to the Department of Education for educational technology State grants.
- \$200 million to the Department of Veterans Affairs for information technology systems, Veterans Benefit Administration for paperless claims processing.

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TRANSPORTATION AND INFRASTRUCTURE

Transportation

- \$27.5 billion for supplemental grants for highway investments, including \$105 million for Puerto Rico highways, \$45 million for territorial highways, \$60 million set-aside for construction of ferry boats and ferry terminal facilities, and \$550 million set-aside for Indian reservations and Federal lands (including \$310 million for the Indian Reservation Roads program).
- \$6.9 billion for Transit Capital Assistance grants.

- \$1.5 billion for competitive grants to State and local governments for projects that will have a significant impact on the Nation, a metropolitan area, or a region.
- \$9.3 billion for investments in rail transportation, including Amtrak, High Speed and Intercity Rail, of which \$450 million is to be used for capital security grants.
- \$300 million for transit and rail security.
- \$1.1 billion to the Federal Aviation Administration (FAA) for discretionary grants for airport investment, and \$200 million for FAA facilities and equipment.
- \$100 million in discretionary grants at the Federal Transit Administration for energy efficiency/greenhouse gas reduction.
- \$750 million for Fixed Guideway Infrastructure Investment that will be apportioned through the existing fixed guideway formulas.
- \$750 Million for Capital Investment Grants (New Starts).
- \$300 million for capital expenditures and necessary expenses of acquiring motor vehicles with higher fuel economy, including hybrid vehicles, electric vehicles, and commercially-available plug-in hybrid vehicles.

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Construction/Infrastructure Improvements

- \$4.6 billion in funding for the Corps of Engineers, including \$2 billion for construction projects.
- \$4.2 billion for Facilities Sustainment, Restoration and Modernization to be used to invest in energy efficiency projects and to improve the repair and modernization of Department of Defense facilities to include Defense Health facilities.
- \$1 billion for the Community Development Block Grant program for community and economic development projects including housing and services for those hit hard by tough economic times.
- \$250 million is included for energy retrofitting and green investments in HUD-assisted housing projects.
- \$100 million to the Department of Education to support school construction in LEAs that educate federally-connected students or have federally-owned land. The grants, which are awarded by formula and competition, enable eligible districts to undertake emergency renovations and modernization projects.
- \$2.0 billion for the Health Resources and Services Administration for Community Health Centers/infrastructure
- \$53.6 billion for the State Fiscal Stabilization Fund, including \$39.5 billion to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes; \$5 billion to states as bonus grants for meeting key performance measures in education; and \$8.8 billion to states for high priority needs such as public safety and other critical services, which may include education

and for modernization, renovation and repairs of public school facilities and institutions of higher education facilities.

- \$200 million for planning, design, construction costs, site security, information technology infrastructure, fixtures and related costs to consolidate the Department of Homeland Security headquarters.
- \$4.5 billion to convert GSA facilities to High Performance Green Buildings.

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