

Conference Report on American Recovery and Reinvestment Act Preliminary Overview

Just over three weeks since the Inauguration of President Obama, Congress will consider the American Recovery and Reinvestment Act, to save and create jobs, get our economy moving again, and transform it for long-term growth and stability. The landmark legislation is the first dramatic new investment in the future since the creation of the interstate highway system a half century ago.

A staggering 3.6 million American jobs have been lost since this recession began in December 2007 – the culmination of the failed economic approach of the Bush Administration – one that also doubled our national debt in eight short years. We need a New Direction.

The conference report on American Recovery and Reinvestment Act currently being drafted will:

- **Create and save 3.5 million jobs**, rebuilding America, making us more globally competitive and energy independent, and transforming our economy.
- **Give 95 percent of American workers an immediate tax cut.**
- **Invest in roads, bridges, mass transit, energy efficient buildings, flood control, clean water projects, and other infrastructure projects.**
- **Restore science and innovation** as the keys to new American-made technology, preventing and treating disease, and tackling urgent national challenges like climate change and dependence on foreign oil.
- **Invest quickly into the economy.**

Unprecedented accountability and transparency measures are built in to help ensure tax dollars are spent wisely and help restore confidence — another critical component of this recovery.

The legislation being drafted contains targeted efforts in:

- **Clean, Efficient, American Energy**
- **Transforming our Economy with Science and Technology**
- **Lowering Health Care Costs and Ensuring Broader Coverage**
- **Investing in Education for the 21st Century**
- **Modernizing Roads, Bridges, Transit and Waterways**
- **Tax Cuts for Middle-Class Families and American Businesses**
- **Helping Workers Hurt by the Recession**
- **Providing Strong Accountability Measures.**

Following are highlights, based on preliminary information, of some key provisions in each of these areas.

Clean, Efficient, American Energy: To put people back to work today and reduce our dependence on foreign oil tomorrow, we will increase renewable energy production and renovate public buildings to make them more energy efficient.

- Smart Grid/Advanced Battery Technology/Energy Efficiency
 - Provides a total of \$30 billion for such initiatives as a new, smart power grid, advanced battery technology, and energy efficiency measures, which will create nearly 500,000 jobs.
 - Transforms the nation's electricity systems through the Smart Grid Investment Program to modernize the electricity grid to make it more efficient and reliable.

- Supports U.S. development of advanced vehicle batteries and battery systems through loans and grants so that America can lead the world in transforming the way automobiles are powered.
- Helps state and local governments make investments in innovative best practices to achieve greater energy efficiency and reduce energy usage.
- Spurs energy efficiency and renewable energy R&D.
- Tax Incentives to Spur Energy Savings and Green Jobs
 - Provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years.
 - Includes a three-year extension of the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas, waste-to-energy, and marine facilities (through 2013).
 - Provides grants of up to 30 percent of the cost of building a new renewable energy facility to address current renewable energy credit market concerns.
 - Promotes energy-efficient investments in homes by extending and expanding tax credits through 2010 for purchases such as new furnaces, energy-efficient windows and doors, or insulation.
 - Provides a tax credit for families that purchase plug-in hybrid vehicles of up to \$7,500 to spur the next generation of American cars.
 - Includes clean renewable energy bonds for State and local governments.
 - Establishes a new manufacturing investment tax credit for investment in advanced energy facilities, such as facilities that manufacture components for the production of renewable energy, advanced battery technology, and other innovative next-generation green technologies.
- Landmark Energy Savings at Home
 - Provides \$5 billion for landmark provisions to improve the energy efficiency of more than 1 million modest-income homes through weatherization.
 - This will save modest-income families on average \$350 per year on their heating and air conditioning bills.
- Repairing Public Housing and Making Key Energy Efficiency Retrofits to HUD-Assisted Housing
 - Provides a total of \$6.3 billion for increasing energy efficiency in federally-supported housing programs.
 - Specifically, establishes a new program to upgrade HUD-sponsored low-income housing (elderly, disabled, and Section 8) to increase energy efficiency, including new insulation, windows, and frames.
 - Also invests in energy efficiency upgrades in public housing, including new windows, furnaces, and insulation to improve living conditions for residents and lower the cost of operating these facilities.

Transform our Economy with Science and Technology: To secure America's role as a world leader in a competitive global economy, we are renewing America's investments in basic research and development, in training students for an innovation economy, and in deploying new technologies into the marketplace. This will help businesses in every community succeed in a global economy.

- Investing in Scientific Research (More than \$15 Billion)
 - Provides \$3 billion for the National Science Foundation, for basic research in fundamental science and engineering – which spurs discovery and innovation.
 - Provides \$1.6 billion for the Department of Energy's Office of Science, which funds research in such areas as climate science, biofuels, high-energy physics, nuclear physics and fusion energy sciences – areas crucial to our energy future.
 - Provides \$400 million for the Advanced Research Project Agency-Energy (ARPA-E) to support high-risk, high-payoff research into energy sources and energy efficiency in collaboration with industry.
 - Provides \$580 million for the National Institute of Standards and Technology, including the Technology Innovation Program and the Manufacturing Extension Partnership.
 - Provides \$8.5 billion for NIH, including expanding good jobs in biomedical research to study diseases such as Alzheimer's, Parkinson's, cancer, and heart disease.
 - Provides \$1 billion for NASA, including \$400 million to put more scientists to work doing climate change research.
 - Provides \$1.5 billion for NIH to renovate university research facilities and help them compete for biomedical research grants.
- Extending Broadband Services

- Provides \$7 billion for extending broadband services to underserved communities across the country, so that rural and inner-city businesses can compete with any company in the world.
- For every dollar invested in broadband, the economy sees a ten-fold return on that investment.

Lower Health Care Costs and Ensure Broader Coverage: Affordable and quality health care is key to strong economic growth. We are bringing our health care system into the 21st century with information technology, which will save billions of dollars, and are taking key steps to ensure broader coverage in this recession.

- Modernizing Health Care System to Lower Costs and Save Lives
 - Provides \$19 billion to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals, in order to modernize the health care system, save billions of dollars, reduce medical errors and improve quality.
 - Strengthens Federal privacy and security law to protect personally identifiable health information from misuse and abuse.
 - Creates hundreds of thousands of jobs – many in high-tech sectors – by promoting the adoption of HIT.
 - CBO estimates that this proposal will generate billions of dollars in “system-wide” savings.
- Protecting Health Care Coverage for Millions through Medicaid
 - Protects health care coverage for millions of Americans during this recession, by providing an estimated \$87 billion over the next two years in additional federal matching funds to help states maintain their Medicaid programs in the face of massive state budget shortfalls.
 - Helps states avoid cutting eligibility for Medicaid and scaling back the health care services covered.
- Providing Health Insurance for Unemployed Workers
 - Currently, laid-off workers, under the COBRA program, can buy into their former employer’s health insurance. But the premiums are often prohibitively expensive. In order to help people maintain their health coverage, the bill provides a 60% subsidy for COBRA premiums for up to 9 months.
- Investing in Prevention & Comparative Effectiveness Research
 - Provides \$1 billion for a new Prevention and Wellness Fund. Studies have shown that investing in prevention can lower overall health care costs by billions of dollars.
 - Provides \$1.1 billion for comparative effectiveness research, to help patients and doctors determine the effectiveness of different treatments. This research will improve the quality of care.

Education for the 21st Century: Economists tell us that strategic investments in education are one of the best ways to help America become more productive and competitive. This bill will make key investments to help states avoid teacher layoffs and other damaging education cuts in this recession, help make college more affordable, and make other key education investments.

- Preventing Teacher Layoffs and Education Cuts by the States
 - Prevents teacher layoffs and other cutbacks in education and other key services, by establishing a \$53.6 billion State Fiscal Stabilization Fund, including \$40.6 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 billion to states for other high priority needs such as public safety and other critical services, which may include education.
- Making College More Affordable
 - Increases the higher education tax credit to a maximum of \$2,500. Also makes it available to nearly 4 million low-income students who had not had any access to the higher education tax credit in the past – by making it partially refundable.
 - Increases the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009 and \$5,550 in 2010.
 - Adds \$200 million to the vital College Work-Study program.
- Investing in Early Childhood Development
 - Provides \$1.1 billion for Early Head Start and \$1 billion for Head Start, which provide comprehensive development services to low-income infants and preschool children – thereby providing services for 110 000 additional infants and children

- Provides \$2 billion for the Child Care Development Block Grant to provide child care services to an additional 300,000 children in low-income families while their parents go to work.
- Providing Other Key Education Investments
 - Provides \$13 billion for Title I grants to help disadvantaged kids reach high academic standards – ensuring that in this period of tight state and local budgets these vital services are maintained.
 - Provides \$12.2 billion for grants for IDEA (Special Education) to increase the federal share of these costs, and prevent these mandatory costs from forcing states to cut other areas of education.

Modernize Roads, Bridges, Transit and Waterways: To build a 21st century economy, we must create jobs rebuilding our crumbling roads and bridges, modernizing public buildings, and putting people to work cleaning up our air, water and land.

- Modernizing Roads and Bridges
 - Provides \$29 billion for modernizing roads and bridges, which will create 835,000 jobs. This investment creates jobs in the short term while saving commuters time and money in the long term.
 - Requires states to obligate at least half of the highway/bridge funding within 120 days.
 - States have over 6,100 projects totaling over \$64 billion that could be under contract within 180 days.
- Improving Public Transit and Rail
 - Provides \$8.4 billion for investments in transit and \$8 billion for investment in high-speed rail. These investments will reduce traffic congestion and our dependence on foreign oil.
 - Includes funds for new construction of commuter and light rail, modernizing existing transit systems, and purchasing buses and equipment to needed to increase public transportation and improve intermodal and transit facilities.
 - States have 787 ready-to-go transit projects totaling about \$16 billion.
- Prioritizing Clean Water/Flood Control/Environmental Restoration
 - Provides \$18 billion for clean water, flood control, and environmental restoration investments, which will create more than 375,000 jobs.
 - Experts note that \$16 billion in water projects could be quickly obligated.
- Modernizing Public Infrastructure, Including To Achieve Major Energy Cost Savings
 - Provides billions to modernize federal and other public infrastructure with investments that lead to long-term energy cost savings, including about \$5 billion to make improvements in DOD facilities, including housing for our troops and about \$4.5 billion to make federal office buildings more energy-efficient in order to achieve long-term savings for taxpayers.

Tax Cuts to Make Work Pay and Create Jobs: More than 35 percent of the package will provide direct tax relief to 95 percent of American workers, as President-elect Obama pledged, and spur investment and job growth for American businesses. To gain the support of the needed Senate Republicans, the amount of Make Work Pay Tax credit has been scaled back, the AMT has been added, and several business tax incentives have been added (cancellation of debt income).

- Tax Relief for American Families
 - Provides immediate and sustained tax relief to 95 percent of American workers through the Making Work Pay Tax Cut, a refundable tax credit of up to \$400 per worker (\$800 per couple filing jointly), phasing out completely at \$200,000 for couples filing jointly and \$100,000 for single filers.
 - Cuts taxes for the families of millions of children through an expansion of the child tax credit (allowing families to begin qualifying for the child tax credit with every dollar earned over \$3,000).
 - Expands the Earned Income Tax Credit by providing tax relief to families with three or more children and increasing marriage penalty relief.
 - Helps more than 4 million additional students attend college with a new, partially refundable \$2,500 tax credit for families.
 - Protects 26 million middle-class families from being hit by the AMT.
 - Helps first-time homebuyers and strengthens the housing market by enhancing the current credit for first-time home purchases with the removal of the repayment requirement.

- Provides incentives to buy new cars, including light trucks and SUVs, with a tax deduction for State and local sales taxes paid on the purchase.
- Temporarily suspends the taxation of some unemployment benefits.
- Business Tax Incentives to Create Jobs and Spur Investment
 - Helps businesses quickly recover costs of new capital investments by extending the bonus depreciation and increased small business expensing for businesses making investments in plants and equipment in 2009.
 - Includes a variety of provisions to help small business, including small business expensing for investment in new plants and equipment, loss carry back for small businesses, a delay of the 3% withholding tax on payments to businesses that sell goods or services to governments, and a cut in the capital gains tax cut for investors in small businesses who hold stock for more than five years.
 - Provides assistance to companies looking to reduce their debt burdens by delaying the tax on businesses that have discharged indebtedness, which will help these companies strengthen their balance sheets and obtain resources to invest in job creation.
 - Provides incentives to create new jobs with tax credits for hiring recently discharged unemployed veterans and youth that have been out of work and out of school for the 6 months prior to hire.
- Tax Incentives to Spur Energy Savings and Green Jobs
 - Provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years.
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 - Establishes a new manufacturing investment tax credit for investment in advanced energy facilities, such as facilities that manufacture components for the production of renewable energy, advanced battery technology, and other innovative next-generation green technologies.
- Tax Incentives for State and Local Economic Development
 - Includes provisions to enhance the marketability for state and local government bonds, which will reduce the costs they incur in financing state and local infrastructure projects.
 - Includes a new bond-financing program for school construction, rehabilitation, and repair.

Help Workers Hurt by the Recession: High unemployment and rising costs have outpaced Americans' paychecks. We will help workers train and find jobs, and help struggling families make ends meet. Every dollar in unemployment or food stamp creates at least \$1.63 in economic activity, as these funds are spent quickly.

- Extending and Improving Unemployment Benefits
 - Continues through December 2009 the extended unemployment benefits program (which provides up to 33 weeks of extended benefits) that is otherwise scheduled to begin to phase out at the end of March 2009 – thereby helping an additional 3.5 million jobless workers.
 - Increases unemployment benefits for 20 million jobless workers by \$25 per week, and encourages states to modernize their UI systems to keep up with the changing workforce with expanded coverage.
 - Temporarily suspends the taxation of some unemployment benefits.
 - Every dollar in unemployment benefits creates at least \$1.63 in economic activity, according to chief economist Mark Zandi of Moody's Economy.com.
- Increasing Food Stamp Benefits
 - Increases food stamp benefits by over 13% to help offset rising food costs for more than 31 million Americans, half of whom are children.

- Every dollar of food stamps creates at least \$1.73 in economic activity, according to chief economist Mark Zandi of Moody's Economy.com.
- Increasing Other Food Assistance
 - Provides other food assistance, including \$100 million for Emergency Food and Shelter to help local community organizations provide food and shelter; \$100 million for formula grants to states for elderly nutrition services including Meals on Wheels; and \$150 million for the Emergency Food Assistance Program to purchase commodities for food banks to refill emptying shelves.
- Helping Workers Find Jobs
 - Provides funding to help workers find jobs, including \$4 billion for job training including formula grants for adult job training, dislocated worker job training, and youth services (including funding for summer jobs for young people); \$500 million for Vocational Rehabilitation State Grants to help persons with disabilities prepare for gainful employment; \$500 million to match unemployed individuals to job openings through state employment agencies; and \$120 million to provide community service jobs to an additional 24,000 low-income older Americans.
- Expanding Housing Assistance
 - Increases support for several critical housing programs, including providing \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties and \$1.5 billion for the Emergency Shelter Grant program to provide short-term rental assistance and other aid for families during the economic crisis.
- Providing Aid to Seniors, Disabled Veterans, and SSI Recipients
 - Provides a payment of \$250 to Social Security beneficiaries, SSI recipients, and veterans receiving disability compensation and pension benefits from the VA.
- Extending TAA
 - Extends Trade Adjustment Assistance benefits for at least 160,000 new workers over the next two years who lose their jobs because of increased imports or factory shifts to certain foreign countries.

Unprecedented Accountability: An historic level of transparency, oversight and accountability will help guarantee taxpayer dollars are spent wisely and ensure that Americans can see the results of their investment.

- There are **no earmarks** or pet projects.
- In many cases, funds are distributed to existing initiatives with proven track records and with tough accountability measures already in place.
- How funds are spent, all announcements of contract and grant competitions and awards, and formula grant allocations must be posted on a special website created by the President. It must also include the names of agency personnel to contact with concerns about infrastructure projects.
- Public notice of funding must include a description of the investment funded, the purpose, the total cost, and why recovery dollars should be used. Governors, mayors, or others making funding decisions must personally certify that the investment has been fully vetted and is an appropriate use of taxpayer dollars. This information will also be placed on the internet.
- The Council of Economic Advisors must report quarterly on the results for the American economy.
- A Recovery Act Accountability and Transparency Board will be created to review management of recovery dollars and provide early warning of problems. The board is made up largely of Inspectors General.
- The Government Accountability Office and the Inspectors General are provided additional funding and access for special review of recovery funding.
- State whistleblowers who report fraud and abuse are protected.