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The Economic Stimulus Agreement

This Conference Summary deals with the conference agreement on HR 1, American Economic Recovery and Reinvestment Act. The measure, strongly supported by the administration, will be taken up by the House on Friday, February 13, and by the Senate later in the evening.

The agreement, the text of which was released shortly before 11 p.m. last night, provides a total of $789.5 billion in spending and tax cuts — $29.5 billion less than the House bill and $48.5 billion less than the Senate version. The negotiations that produced the agreement were largely between Democratic congressional leaders and the three moderate Republican senators whose votes provided the 60-vote margin required for Senate passage. In order to retain the support of the three GOP senators, the final product hews closely to the Senate version on key provisions. The administration and Democratic leaders say that the conference agreement will create or save 3.5 million jobs over the next two years, half a million less than what they believe the House-passed version would have produced. The measure contains $301.1 billion in tax cuts, $26.1 billion more than the House bill but $67.3 billion less than the Senate's version. The agreement has $311 billion in discretionary appropriations, $50 billion less than the House measure but $21.1 billion more than the Senate bill.

Contents

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Section I

Background & Summary

The House passed its $819 billion version of HR 1 on January 28 by a vote of 244 to 188, with no Republican support. When the Senate began debating its version of the measure, at least some Republican support was needed because of the chamber's 60-vote "super majority" requirement for major legislation. Last week, three Republican senators — Susan Collins and Olympia J. Snowe of Maine and Arlen Specter of Pennsylvania — began discussions with moderate-Democratic senators on a compromise. The moderates were able to pare down the legislation's price tag from the original $887 billion Senate-version to $838 billion by cutting school facility construction, health IT, COBRA benefits, and several other provisions.

The Senate passed its compromise version, by a vote of 61 to 37, on February 10, which also included an alternate minimum tax (AMT) "patch." The cost of the patch, which prevents millions of taxpayers from paying that tax in 2009, was just under $70 billion. An AMT patch was not included in the House-passed version, because House Democrats argued that it would pass easily as a separate bill later in the year, and it consumed funds that could be used for other purposes in the stimulus bill.

The House-Senate conference began with Sens. Collins and Specter warning that any significant changes to the Senate-passed version would cause the legislation to lose their support, which would block final passage. At the same time, top House Democrats were complaining about Senate cuts from the House verison, but because of the need to keep the Republican votes most of the House bill's spending could not be restored during conference. The normal "split the difference" on conference agreements did not apply to this legislation.

The conferees did, however, agree to decrease the overall size of the measure compared to both chambers' versions by scaling back tax breaks, including the Senate's expanded credit for home purchases, and tax deductions for buying new cars. President Barack Obama's signature tax credit for workers also was trimmed, but with income eligibility levels being retained — so that the president's pledge of providing tax cuts for 95% of taxpayers would be honored — but the monetary benefit reduced. After conferees came to an agreement, Democratic leaders said the final bill would create or save 3.5 million jobs — half a million fewer than what House Democratic leaders said the House-passed bill would have done — and President Obama thanked Democrats and Republicans for a "hard fought compromise." He also voiced disappointment, however, that some of his priorities were cut, such as education funding.

The Congressional Budget Office (CBO) has provided provided a preliminary, broad estimate for a conference agreement. CBO estimated that an agreement would increase the gross domestic product (GDP) between 1.4% and 3.8% by the fourth quarter of 2009, between 1.1% and 3.3% by the fourth quarter of 2010, and between 0.4% and 1.3% by the fourth quarter of 2011. In the long run CBO estimates that the measure could "crowd out" private investment because of the increased national debt, but said that any lowering of the GDP would not significantly affect the job market. CBO also estimated that the measure would increase employment by 800,000 to 2.3 million by the fourth quarter of 2009, by 1.2 million to 3.6 million by the fourth quarter of 2010, by 0.6 million to 1.9 million by the fourth quarter of 2011, and by declining numbers in later years.

Summary of Conference Agreement on HR 1

The conference report on HR 1 provides a total of $463 billion in spending for transportation and infrastructure upgrades and construction, health care programs, education assistance, housing assistance and energy efficiency upgrades, and provides $326 billion in personal and business tax breaks and tax provisions affecting payments to the states — for total of $789 billion in spending and tax cuts.

Tax Provisions

The bill includes several personal and business tax breaks, tax provisions intended to assist state and local governments, and energy-related tax incentives that would cost an estimated $301.1 billion over the 11-year period through FY 2019. The tax provisions of the bill account for more than a third of the total cost of the measure.

Individual Tax Assistance

Accounting for more than half of the cost of the tax provisions — $116.2 billion — is a new "Making Work Pay" refundable tax credit in 2009 and 2010 of up to $400 for an individual or $800 for married couples filing jointly. The credit is intended to provide a rebate for payroll taxes (i.e., Social Security and Medicare taxes) and could be claimed through reduced withholding from paychecks or as a credit on a tax return. Under the agreement, the credit would phase out as adjusted gross income exceeded $75,000 for individuals or $150,000 for joint tax returns.

The measure provides a temporary increase in the earned income tax credit for families with three or more children, at a cost of $4.7 billion, and it allows additional low-income families to receive the refundable child tax credit in 2009 and 2010 at a cost of $14.8 billion. At a cost of $14 billion, the measure provides a partially refundable tax credit for higher educational expenses, worth up to $2,500 that would phase out as adjusted gross income exceeded $80,000 for an individual or $160,000 for a joint return. The measure also waives a repayment requirement under a tax credit for first-time homebuyers enacted last year (PL 110-289) if a home is purchased between January 1 and June 30, which would reduce revenue by $6.6 billion; the change would not apply to homes sold within 36 months of purchase, which would be subject to existing recapture rules.

Together, the agreement's individual tax provisions would lower taxes for 95% of all taxpayers.

Business Tax Provisions

The measure includes several tax provisions aimed at assisting business affected by the economy. At a cost of $947 million through FY 2019, the agreement permits businesses to "carryback" their operating losses in 2008 and 2009 for up to five years, rather than the two permitted under current law, but requires businesses choosing the longer period to reduce the losses by 10%. Companies that received funds under the TARP, as well as Fannie Mae and Freddie Mac, would not be eligible for the longer carryback period.

The agreement also extends through 2009 bonus depreciation rules from last year's stimulus act (PL 110-185), at a cost of $5.1 billion through FY 2019, and it expands the work opportunity tax credit to include the hiring of certain unemployed veterans and "disconnected" youth.

Aid to State & Local Governments

The measure includes a number of tax provisions intended to aid cash-strapped state and local governments.

At a cost of $4.3 billion through FY 2019, the agreement gives state and local governments the option of offering tax-credit bonds — which provide federal tax credits to investors instead of interest payments, in lieu of tax-exempt bonds, which would alleviate the need for the governments to make interest payments. The agreement also modifies rules concerning the allocation of interest expenses for financial institutions that invest in tax-exempt municipal bonds to make such investments more attractive, at a cost of $3.2 billion through FY 2019.

The measure authorizes the issuance of $22 billion in state and municipal tax-credit bonds, $11 billion in both 2009 and 2010, to finance school construction projects, which would reduce federal revenue by $9.9 billion through FY 2019. The agreement authorizes $25 billion in recovery zone bonds in 2009 and 2010 that would be used to finance projects in areas with significant poverty, unemployment, or home foreclosures, which would reduce federal revenue by $6 billion through FY 2019. It also authorizes the issuance of $1.4 billion in qualified zone academy bonds in 2009 and 2010, at a cost of $1 billion.

At a cost of $291 million through FY 2019, the measure also repeals a provision of current law, due to take effect in 2011, which would require the withholding of 3% of certain payments made by federal, state and local governments to contractors providing goods and services.

Energy Tax Incentives

The measure includes $20 billion in tax incentives to spur investment in renewable and alternative energy. The most expensive provision is an extension, generally for three years, of a credit for producing energy from renewable sources, which would reduce revenue by $13.1 billion through FY 2019. At a cost of $4.3 billion, the agreement extends and modifies a credit for energy efficiency improvements in homes, increasing the credit to offset 30%, rather than 10%, of the cost of such improvements in 2009 and 2010, but capped at $1,500 per home. The agreement also provides a special credit for energy-related research expenses through 2010, and allows for the issuance of additional energy-related bonds, including $2.4 billion in energy conservation bonds and $1.6 billion in clean renewable energy bonds.

Additional Tax Provisions

The conference agreement overturns an Internal Revenue Service (IRS) notice issued last year under which companies that acquired or merged with troubled banks received more favorable tax treatment for bad debts and losses that were assumed from the acquired banks. The measure's change in the IRS guidance would apply prospectively from January 16 and would <u>raise</u> nearly $7 billion through FY 2019.

The measure also requires projects funded through certain bonds to comply with Davis-Bacon prevailing wage requirements.

Transportation & Infrastructure Upgrades

Transportation Department

The agreement appropriates $48 billion for various agencies of the Transportation Department. The largest portion — $27.5 billion — is for highway, bridge and road projects, and would generally be distributed by formula. This funding includes $9.3 billion for mass transit, 22% less than the House bill. The agreement appropriates $3 billion for the Federal Aviation Administration to provide discretionary grants for projects at airports. It also appropriates $1.3 billion for grants to Amtrak for capital projects, as well as $300 million for discretionary grants to states to help fund capital costs associated with intercity rail services, with an emphasis on developing high-speed rail services.

Electrical Grid Projects

The measure provides $11 billion for electrical grid projects. Of that total, $4.5 billion is for implementing "smart grid" technologies, which would sense, collect, and monitor data from a grid, provide real-time, two-way communication to help monitor or manage the grid, and provide real-time analysis and event prediction based on data that would be used to improve the reliability, quality, and performance of the electricity grid.

Renewable Electric Power Loan Guarantees

The agreement appropriates $6 billion for the Renewable Energy and Electric Power Transmission Loan Guarantee Program, $2 billion less than the House bill and $3.5 billion less than the Senate version. This program provides loan guarantees to private entities to fund alternative energy research. The funds would be used for biofuel projects that use technologies that are deemed commercially viable and produce transportation fuels that will reduce greenhouse gas emissions.

Other Infrastructure Spending

The agreement provides $4 billion for the Clean Water State Revolving Fund, which provides grants to states for wastewater treatment projects. It appropriates $2 billion for the Drinking Water State Revolving Fund, which provides grants to states for drinking water infrastructure projects.

The measure provides $4.6 billion for the Army Corps of Engineers to accelerate completion of ongoing water projects and beginning construction of new projects, with priority directed to projects that can be completed with one year.

The measure also provides funds for renovations to federal facilities and equipment across several different departments, including military bases, hospitals, vehicle fleets, and other government structures. The funds would be used for weatherization and installation of more energy-efficient technologies.

Education & Health

Medicaid

The conference agreement also provides additional federal matching payments for state Medicaid programs. The measure stabilizes federal medical assistance percentages for states that would otherwise receive reduced payment rates under the existing formula. In addition, all states would receive an increase in their matching payments by 6.2 percentage points over a 27 month period. For states with large increases in unemployment, the measure provides additional increases in their federal matching payments directly proportional to the increase in their unemployment rates. The agreement also provides for a bonus payment structure that would decrease state financial obligations for Medicaid based on increases in the state's unemployment rate. This provision would cost an estimated $86.6 billion.

Health Information Technology

The agreement appropriates roughly $19 billion for health information technology to implement electronic medical records systems for private hospitals and physicians, and public insurance programs such as Medicare and Medicaid.

Pell Grants

The measure provides $15.6 billion for Pell grants. Under the agreement, the maximum discretionary Pell grant would increase by $500, to $4,860, for the 2009-2010 academic year. The measure also includes $1.5 billion in mandatory Pell grant funding, which would provide an increase of up to $490 per year required by the College Cost Reduction and Access Act (PL 110-84). With mandatory funding included, the maximum Pell award would be $5,350.

Title I

The agreement provides $13 billion for Title I grants for programs serving disadvantaged children. Title I grants provide funding in high-poverty areas for programs that provide academic support to poor children who are struggling to meet state education requirements.

Housing

The measure appropriates funds for various housing related programs — including $4 billion for the Housing and Urban Development (HUD) Department Public Housing Capital Fund, $2.3 billion for energy-efficient renovations and retrofits of HUD Section 202, Section 811, and Section 8 units, and $2.3 billion for the HOME program. The Neighborhood Stabilization Program — which was created last year and provides funds to local governments and states with high levels of foreclosures for the purchase and rehabilitation of vacant housing — would receive $1.5 billion. The measure also appropriates $1.5 billion for emergency homeless shelter grants.

Residential Weatherization Assistance

The agreement appropriates $5 billion for the Weatherization Assistance Program, which provides funds to cover some of the costs of insulating private residences. This amount is $1.2 billion (19%) less than included in the House bill but $2.1 billion more than in the Senate measure. It also increases the eligibility limit of the program to 200%

of the federal poverty line, from 150%, and increases the maximum amount allowed per residence to $6,500, from $2,500.

Other Provisions

Nutrition Programs

The bill appropriates $20 billion in additional funds for the food stamp program, and lifts restrictions that limit the amount of time individuals can receive such assistance.

Unemployment Insurance

The measure continues the current extension of unemployment insurance, which would otherwise be phased out at the end of March, through December 31. Current law provides unemployed workers with up to 33 weeks of extended benefits. This provision would cost an estimated $27 billion. The agreement also increases (through December 31) the current average unemployment insurance benefit by $25 per week, to $325 per week. This would cost an estimated $8.8 billion.

COBRA

The measure provides for a 65% subsidy for health insurance premiums under COBRA for up to nine months for workers (and their families) who have been involuntarily terminated. The House-passed version would have provided such assistance for up to one year. To qualify for premium assistance, a worker must have been involuntarily terminated between Sept. 1, 2008 and Dec. 31, 2009.

Oversight Board

The bill creates a Recovery Act Accountability and Transparency Board to coordinate and conduct oversight of federal spending under the bill. The board would submit to Congress reports, to be known as "flash reports," on potential management and funding problems that require immediate attention, and would submit quarterly report to the administration and Congress summarizing its findings and the findings of agency inspectors general. All board reports would be posted on a publicly accessible Web site (Recovery.gov), which the board would create to house all of the information about funding under the bill and projects started because of such funding.

Defense Department

The measure provides over $8 billion for various Defense Department accounts — $3.8 billion for new construction of military hospitals and ambulatory surgical centers; $2.1 billion to upgrade military facilities; $1.4 billion for troop housing;

and $350 million for research into using renewable energy to power weapons systems and military bases.

Law Enforcement

The agreement provides $2.8 billion for state and local law enforcement assistance, including $2 billion for the Edward Byrne Memorial Justice Assistance Grant Program, which awards grants to states for use by state and local governments for criminal justice programs, such as drug task forces, community crime prevention efforts, substance abuse treatment programs, and prosecutorial initiatives, with an emphasis on combating violent crimes.

Debt Limit Increase

The agreement increases the federal debt limit by $789 billion — to $12.104 trillion from $11.315 trillion. The Emergency Economic Stabilization Act (PL 110-343) increased the debt limit last October by $700 billion, and followed an $800 billion increase three months prior (PL 110-289).

References

The House passed its version of the bill January 28 by a vote of 244 to 188 (see House Action Reports Fact Sheet No. 110-2, January 26). The Senate passed its version February 10 by a vote of 61 to 37.

Two House conferees and two Senate conferees, all Republicans, did not sign the conference report (H Rept 110-16).

See CQ Weekly, pp. 308, 307, 306, 254, 220 & 127.

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Section II

Tax Provisions

This section describes the tax provisions of the agreement for HR 1, American Recovery and Reinvestment Act, which would cost $301.1 billion over the next ten years, $26.1 billion more than the House bill, but $67.3 billion less than the Senate measure.

The agreement's most expensive tax provision, estimated at $116.2 billion, is the "Making Work Pay" tax credit, proposed by President Barack Obama during the campaign — which would provide a credit of up to $400 per person or $800 for joint returns — as a refund for Social Security and Medicare taxes. The measure also expands eligibility for low-income families for the refundable child tax credit and modifies the earned income tax credit. For businesses, the measure allows them to carry back their net operating losses for up to five years, rather than the two allowed under current law, and it also extends bonus depreciation and expensing rules from last year's stimulus law for one year. The measure includes a number of energy-related provisions that would cost $20 billion over the next 10 years. It also contains provisions intended to aid cash-strapped state and local governments.

The measure includes a Senate provision that provides a one-year patch for the alternative minimum tax (AMT) that is intended to prevent the tax from affecting millions of additional tax returns for 2009, at a cost of nearly $70 billion.

Tax Relief for Individuals

'Making Work Pay' Tax Credit

The agreement establishes a new "Making Work Pay" tax credit for 2009 and 2010 that would be worth up to $400 for individuals and $800 for spouses filing jointly — a decrease from the $500 individual and the $1,000 couple tax credits in the House version of the bill. This provision would cut taxes for more than 95% of working families in the United States.

The credit would be worth 6.2% of earned income. Like the House bill, it would phase out for taxpayers with adjusted gross income in excess of $75,000, or income in excess of $150,000 for married couples filing jointly. The available credit would be reduce by 2% of the income that exceeds the $75,000 or $150,000 amount.

The credit could either be claimed on tax returns or by reducing the amount of taxes that are withheld from paychecks.

According to the JCT, the proposal is estimated to cost $116.2 billion over ten years.

The measure's definition of earned income is generally the same as that for the earned income tax credit, would not include self-employment earnings that are not taken into account when computing taxable income, but would allow military families to treat combat pay as earned income, even though such income is not considered taxable income. The JCT description of the provision states the anticipation that the provision would be "expeditiously implemented" by the Internal Revenue Service (IRS) through revised withholding schedules.

The agreement bars non-resident illegal aliens, those for whom a deduction can be claimed, and estates or trusts from obtaining the credit. The measure also requires recipients to comply with the identification number requirements of the earned income tax credit, under which taxpayers must include a taxpayer identification number on their return, as well as a taxpayer identification number for their spouses, if the taxpayers are married. This provision is intended to prevent illegal immigrants from taking advantage of the provision.

The measure establishes procedures through which the Treasury would reimburse territories that offer similar credits in 2009 and 2010 to their residents.

Finally, the agreement prevents any credit or refund received from being taken into account as income or a resource for purposes of certain federal programs and federally assisted programs of state and local governments, during the month the credit is received and the subsequent two months. This would prevent recipients of assistance under such programs from losing their eligibility or having their benefits reduced.

Expand Eligibility for Refundable Child Tax Credit

The agreement expands eligibility for the refundable portion of the child tax credit, which can be received by families even if the child tax credit they would receive is greater than the taxes owed. Through 2010, the maximum child tax credit is $1,000. The credit is subject to a phase-out, as it is reduced by $50 for every $1,000 in income that exceeds a certain dollar amount of modified adjusted gross income — $75,000 for individuals and heads of households, $110,000 for a joint return, and $55,000 for a spouse filing a separate return.

In order to receive the refundable child tax credit, adjusted gross income must exceed an inflation-adjusted threshold, or "floor," and taxpayers can receive a credit for 15% of earned income that exceeds the floor.

The financial markets bailout enacted last year reduced the floor to $8,500 for the 2008 tax year. In 2009, the threshold is currently set at $12,550, and it would be adjusted for inflation for 2010.

The agreement reduces the floor to $3,000 for 2009 and 2010, meaning that low-income taxpayers could receive 15% of their earned income in those years as a refundable child tax credit.

This provision is estimated to cost $14.8 billion over 10 years.

Increased Earned Income Tax Credit

The earned income tax credit (EITC) is a tax credit for low-income working individuals and families that is refundable for certain taxpayers, meaning it can be claimed even if the credit is worth more than the taxes owed.

There are currently three different schedules for the credit. In 2009, families with no children who qualify could receive up to $457, reflecting 7.65% of earnings up to $5,970; taxpayers with a single eligible child could receive 34% of earnings up to $8,950, for a maximum credit of up to $3,043; and taxpayers with two or more covered children could receive a credit of up to $5,028, based on 40% of earnings up to $12,570. Under current law, the credit is "phased out" for working families with adjusted gross income in excess of $16,420, or $19,540 for married couples filing jointly.

Like the House and Senate bills, the agreement temporarily increases the earned income tax credit for families with three or more children to 45% of the first $12,570 of earned income, for a maximum credit of $5,656.50.

The measure also increases the dollar amount, by $1,880, at which the credit would "phase down" for couples filing a joint return, regardless of the number of children. This change is intended to reduce a "marriage penalty" under the EITC.

This provision is estimate to cost $4.7 billion over 10 years.

'American Opportunity' Education Credit

Like the House and Senate bills, the agreement provides a modified education tax credit for 2009 and 2010 called the "American Opportunity Tax Credit." It would cost an estimated $13.9 billion over 10 years.

Under the agreement, taxpayers would receive a credit for 100% of the first $2,000 in qualifying tuition and related expenses, and 25% for the second $2,000 in such expenses, for a maximum credit of $2,500. The JCT estimates this provision would cost $10.3 billion over 10 years.

As much as 40% of the credit would be refundable. The credit would be subject to a phase-out for taxpayers with adjusted gross income in excess of $80,000, or $160,000 for married couples filing jointly. The JCT estimates this provision would cost $3.7 billion over 10 years.

Computers as Qualified Education Expenses in 529 Education Plans

Section 529 Education Plans are tax-advantaged savings plans that cover all qualified education expenses, including tuition, room and board, mandatory fees, and books. The agreement expands the definition of qualified expenses in 529 Education Plans to include computer technology and equipment.

This provision is estimated to cost $6 million over ten years, according to the JCT.

Waive Repayment of Homebuyer Credit

The 2008 American Housing Rescue and Foreclosure Prevention Act (PL 110-289; see House Action Reports Fact Sheet No.110-39, July 22, 2008) created a new refundable tax credit of up to $7,500 for certain first-time homebuyers who purchased a home between April 9, 2008, and July 1, 2009. The law's definition of first-time homebuyer included those who had no ownership stake in a home for three years prior to purchasing a home. The credit phases out for those with adjusted gross income that exceeds $75,000 for individuals and $150,000 for couples filing jointly.

Under the 2008 law, the credit was set up as an interest-free loan, since the law required the credit to be repaid over 15 years in equal installments, or, if earlier, when the home is sold.

Like the House version of the bill, the agreement eliminates the repayment requirement for homes purchased after January 1. It increases the maximum value of the credit to $8,000, removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1. If, however, the home is sold within three years of purchase, the credit would still be subject to the current-law recapture rules.

This provision is estimated to cost $6.6 billion over 10 years.

The agreement does not include Senate provisions that would have provided a $15,000 tax credit for all homebuyers, not just first time buyers.

Alternative Minimum Tax 'Patch'

The alternative minimum tax (AMT) was originally enacted to prevent wealthy taxpayers from using deductions and credits to avoid paying taxes. It disallowed certain credits and required taxpayers to determine their liability under alternate rules. If a taxpayer owes more under the AMT than under regular rules, the higher amount is paid.

Although AMT was designed to affect only a limited number of taxpayers, its reach has grown to estimates that as many as 30 million taxpayers could fall under the AMT in 2010. As part of the financial industry rescue enacted in October, Congress included a patch to prevent 22 million taxpayers from being subject to the AMT on their 2008 tax returns (HR 1424; see House Action Reports Fact Sheet No. 110-45: Financial Markets Rescue II). It expired on Dec. 31, 2008.

Like the Senate version of the bill, the agreement includes an AMT patch for 2009 to keep the number of individual AMT payers the same as in 2008. It would protect an estimated 26 million middle-class families from being hit by the AMT.

Currently, a taxpayer receives an exemption of $33,750 (for individuals) and $45,000 (married filing jointly) under the AMT. The current law also does not allow personal credits against the AMT. The bill increases the exemption amounts to $46,700 and $70,950, respectively, and allows personal credits against the AMT to hold the number of taxpayers subject to the AMT at bay.

As a result of this patch, the AMT would affect approximately 4.2 million taxpayers in 2009. The estimated cost of this proposal is approximately $69.8 billion over 10 years, according to the JCT.

Temporary Suspension of Taxation of Unemployment Benefits

Under current law, all federal unemployment benefits are subject to taxation, and the average unemployment benefit is approximately $300 per month.

Like the Senate bill, the agreement temporarily suspends the taxation of the first $2,400 of unemployment benefits, effective for the 2009 tax year. Any benefits over $2,400 would be subject to federal income tax.

This provision is estimated to cost $4.7 billion over 10 years.

Above-the-Line Deduction for Automobiles

Similar to a provision in the Senate bill, the agreement provides a tax deduction for state and local sales taxes paid on the purchase of new cars, light trucks, recreational vehicles, and motorcycles through 2009.

The deduction phases out starting with taxpayers earning $125,000 per year ($250,000 for joint returns). A taxpayer claiming this deduction would also be allowed to claim the existing state and local sales tax itemized deduction. The proposal is estimated to cost $1.7 billion over 10 years. The agreement does not include Senate provisions that would have allowed a tax exemption for interest payments on car loans.

Payment to Social Security, SSI, Railroad Retirement, & Veterans Disability Beneficiaries

The agreement provides a $250 one-time payment to retirees, disabled individuals and Supplemental Security Income (SSI) recipients receiving benefits from the Social Security Administration, disabled veterans receiving benefits from the Veterans Affairs Department, and Railroad Retirement beneficiaries. The one-time payment would be a reduction to any allowable Making Work Pay credit. The House bill had no comparable provision.

The provision is estimated to cost $14.2 billion over 10 years.

Refundable Credit for Certain Federal and State Pensioners

The agreement provides a one-time refundable tax credit of $250 in 2009 to government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

This provision is estimated to cost $218 million over 10 years.

Business Tax Incentives

Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, as part of the 2008 stimulus law (PL 110-185), Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary deprecation schedule would allow by permitting these businesses to immediately write-off 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired for use in the United States.

The agreement extends for one year the bonus depreciation rules enacted in the 2008 stimulus law for capital expenditures incurred in 2009.

The extended rule would allow a 50% bonus depreciation for certain property placed in service by businesses in 2009, which would be allowed against both the regular tax system and the AMT. This would allow businesses to deduct from their taxes 50% of the value of that property in addition to amounts that they could otherwise claim under depreciation rules after the item's value is adjusted to account for the "bonus" depreciation. If the business elects to take the bonus depreciation, then they would claim the remaining value of the item over the normal depreciation period.

The provision is estimated to cost $5.1 billion over 10 years.

Option to Accelerate Recognition of AMT & R&D Credits In Lieu of Bonus Depreciation

As part of the Foreclosure Prevention Act of 2008, Congress temporarily allowed businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of bonus depreciation.

The amount that taxpayers may accelerate is calculated based on the amount that each taxpayer invests in property that would otherwise qualify for bonus depreciation. This amount is capped at the lesser of 6% of historic AMT and R&D credits or $30 million.

The agreement extends this temporary benefit through 2009.

This provision is estimated to cost $805 million over 10 years.

Delayed Recognition of Certain Cancellation-of-Debt Income

Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases its debt for an amount less than its adjusted issue price. The amount of cancellation-of-debt income is the excess of the old debt's adjusted issue price over the repurchase price.

The agreement allows certain businesses to recognize cancellation-of-debt income over 10 years for specified types of business debt repurchased by the business with cash after Dec. 31, 2008, and before Jan. 1, 2011. This would enable businesses to defer tax on cancellation-of-debt income for the first four or five years and recognize this income ratably over the following five taxable years.

This provision is estimated to cost $1.6 billion over ten years.

Incentives to Hire Unemployed Veterans & Disconnected Youth

The current law Work Opportunity Tax Credit allows businesses to receive a work opportunity tax credit equal to 40% of the first $6,000 of wages paid to employees for hiring workers from certain disadvantaged groups. The current credit covers nine targeted groups — families receiving Temporary Assistance to Needy Families, certain veterans on food stamps or receiving disability compensation, certain ex-felons, residents of designated communities, individuals in vocational rehabilitation, certain youths employed during the summer, certain food stamp recipients, certain recipients of SSI, and long-term recipients of family assistance.

The agreement creates two new targeted groups — unemployed veterans and "disconnected youth" who are hired in 2009 or 2010. In order to qualify as an unemployed veteran, an individual would have to have been discharged or released from active duty from the armed forces during the five-year period prior to hiring, and would have received unemployment compensation for more than four weeks in the one-year period prior to being hired. In order to qualify as a "disconnected youth," a new hire would have to be from age 16 to 25, could not be employed or regularly attending any secondary, technical, or post-secondary school in the six months prior to being hired.

This provision would cost $231 million over 10 years.

Small Business Capital Gains

Current law provides a 50% exclusion for the gain from the sale of small business stock held for more than five years. The amount of gain eligible for the exclusion is limited to the greater of 10 times the taxpayer's basis in stock, or a $10 million gain from stock in that small business corporation.

The agreement allows a 75% exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. The change is for stock issued after the date of enactment and before Jan. 1, 2011.

It is limited to individual investments and not the investments of a corporation. The non-excluded portion of gain would be taxed at the less of ordinary income rates or 28%, instead of the lower capital gains rates for individuals.

The provision is estimated to cost $829 million over 10 years.

Extension of Increased Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation.

For 2008, Congress temporarily increased the expensing limits to $250,000 and the phase-out to $800,000.

The agreement extends increased small business expensing for businesses making investments in plants and equipment in 2009.

The provision is estimated to cost $41 million over 10 years.

Five-Year Carryback of Net Operating Losses

Under current law, businesses can "carryback" for two years their net operating losses (NOL) — i.e., the amount their deductions exceed gross income — and can use those losses to offset income in those two prior years. The net operating losses can also be "carried forward" for up to 20 years.

The agreement allows businesses to "carryback" operating losses for up to five years, rather than the two years allowed under current law, for small businesses with gross receipts of $15 million or less. (Current law provides extended carryback rules in certain circumstances, including five years following certain disasters.)

The measure covers net operating losses for any taxable year that ends in 2008 or 2009, and also gives businesses the option to claim the period for losses in tax years that begin in 2008 or 2009. The measure also allows life insurance companies to opt to carryback operating losses for either four or five years, rather than the three years they are currently allowed.

If a company claims the extended carryback period, it would be required to reduce by 10% the amount of net operating losses carried back. Once a business decided to claim the extended period, it would be irrevocable.

The agreement also suspends a current-law rule under which businesses can use net operating loss deductions to reduce only 90% of their AMT income, thus allowing businesses to use net operating loss deductions to offset all income under the AMT rules. This change would apply to any tax year after 1997.

Under the agreement, the extended carryback period would not apply to firms that received funds from the Troubled Assets Relief Program, Fannie Mae, or Freddie Mac.

This provision is estimated to cost $947 million over 10 years.

Temporary Small Business Estimated Tax Payment Relief

The agreement reduces the 2009 required estimated tax payments for certain small businesses.

This provision is estimated to have no revenue effect over 10 years.

Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. Following such a conversion, however, an S corporation must hold its assets for 10 years in order to avoid a tax on any built-in gains that existed at the time of the conversion.

The agreement would temporarily reduce this holding period from 10 years to seven years for sales occurring in 2009 and 2010.

This provision is estimated to cost $415 million over 10 years.

Repeal Treasury Rule on Bank Ownership Changes

Section 382 of the tax code limits the amount of losses that a corporation can "carryforward" to future years when there is a change in ownership. The provision, enacted in 1986, is intended to crackdown on a potential tax shelter by preventing companies from purchasing or merging with another firm with operating losses, and using the acquired firm's losses prior to the ownership change in order to offset profits and reduce taxes. Of particular concern was the purchase of "shell" companies that had value only because of their operating losses.

Last year, the Treasury Department issued Notice 2008-83, which provided new guidance under section 382 for banks that experienced a change in ownership. Under the notice, losses on loans or bad debts from an acquired bank would not be treated as a built-in loss or a deduction attributed to the period prior to the change in ownership. Thus, if a company acquired a bank or financial institution with losses or bad debts from the period prior to the acquisition, then a company could use those losses to offset profits.

As reported in the Washington Post, a number of tax experts and legislators raised concern about the IRS action, with some arguing that the Treasury Department lacked the legal authority to make the change. Some conservative economists have long opposed the provisions in current law and have sought a repeal or modification, but Congress has not done so. The change was reportedly intended to make it more palatable for financial institutions to take on troubled firms, and the result of the change was a potentially large tax break for banks, with one estimate that the change in the notice could reduce revenue by up to $140 billion.

Findings

The agreement lists several findings of Congress, including a finding that the delegation of authority under section 382 does not authorize the Treasury Department to provide exemptions or special rules that are restricted to particular industries or classes of taxpayers. It lists findings that IRS Notice 2008-83 is "inconsistent with congressional intent," and that the legal authority to prescribe the notice is "doubtful." The measure also notes that "taxpayers should generally be able to rely on" the department's guidance and that legislation is necessary to clarify force and effect of the notice and to restore the proper application of the limitations on built-in losses following an ownership change of a bank.

Prospective Repeal of Notice

The agreement repeals the changes made by the Treasury Department notice, but on a prospective basis. It deems the Treasury decision as having the full force and effect of law with respect to any ownership change occurring before Jan. 16, 2009. The measure also allows the notice to apply to certain ownership changes after Jan. 16, 2009. The exception would cover ownership changes pursuant to a written binding contract entered into before January 16. The exception also covers changes pursuant to a written agreement entered into before January 16 if the agreement was described before that date in either a public announcement or in a required filing with the Securities and Exchange Commission.

According to the JCT, this repeal would raise nearly $7 billion over 10 years.

Treatment of Certain Ownership Changes

The agreement clarifies the application of section 382 to certain companies restructuring pursuant to the Emergency Economic Stabilization Act of 2008.

This provision is estimated to cost $3.2 billion over 10 years.

Assistance for State & Local Governments

One-Year Delay of Implementation of Withholding on Government Contractors

For payments made after Dec. 31, 2010, current law requires withholding at a 3% rate on certain payments to individuals providing property or services made by federal, state, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services (those with less than $100 million in annual expenditures for property or services are exempt).

The agreement delays the 3% withholding tax on payments to businesses that sell goods or services to governments for one year, through Dec. 31, 2011. The delay would provide time for the Treasury Department to study the impact on this provision on government entities and other taxpayers.

This provision is estimated to cost $291 million over 10 years.

School Construction Bonds

The agreement establishes a new type of tax-credit bond that could be issued by state and local governments to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which a school facility would be constructed. (Tax-credit bonds provide investors with a federal tax credit in lieu of an exemption on taxation for interest payments.)

The agreement authorizes up to $11 billion for such bonds in 2009, and $11 billion in 2010, for a total national limitation of $22 billion. There is a $400 million national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments.

This provision is estimated to cost $9.9 billion over 10 years.

Each year, 60% of those bonds would be allocated to states based on the number of school age children and 40% would be allocated among certain local educational agencies based on the amount received through certain grants from the Education Department. The agreement allows amounts that are allocated to local agencies that go unused to be reallocated to states. The measure also sets aside $200 million in each year for Indian schools that would be allocated by the Interior Department for projects at schools funded by the Bureau of Indian Affairs.

The measure requires projects funded through these bonds to comply with Davis-Bacon requirements. It also requires that 100% of available project proceeds (i.e., proceeds from the sale, minus the cost of issuing the bonds as well as any investment earnings) be used within three years of the issuance of the bonds.

The rules for tax credits under these bonds would be the same as that under other current-law tax credit bonds. As a result, the credit received by an investor could be used to offset both the regular income tax and the AMT. The credit could also be separated from the ownership of the bond, a process known as "credit-stripping."

According to JCT, these bond provisions would reduce revenue by nearly $9 billion over 10 years.

The Senate bill provided $5 billion for new school construction. The House bill provided $11 billion for new school construction. The provision creates a tax credit bond to fund new construction of schools. It allocates $5 billion for each of 2009 and 2010. The agreement's provision also provides a specific allocation of $200 million for Indian schools for each of those years. It is estimated to cost $4.5 billion over 10 years.

New Tax Credit Bonds for Government Infrastructure Projects

The agreement provides new tax credit bonds for government infrastructure projects, instead of a tax-exempt government obligation bond, for 2009 and 2010. It allows the state or local government to 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.

The provision is estimated to cost $4.3 billion over 10 years.

Energy Tax Provisions

Advanced Energy Investment Credit

The agreement establishes a new 30% investment tax credit for manufacturing advanced energy property, such as facilities that manufacture components for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, carbon capture and sequestration, advance battery technology, and other next-generation green technologies.

The credits would be available only for projects certified by the Treasury secretary, in consultation with the Energy secretary, through a competitive bidding process. The Treasury Department would establish a certification program no later than 180 days after date of enactment, and may allocate up to $2.3 billion in credits.

This provision is estimated to cost $1.6 billion over 10 years.

Production Tax Credit for Renewable Electricity Projects

The measure extends, generally for three years, an existing credit under current law for producing energy from renewable sources at qualifying facilities. Under current law, the credit applies for different periods depending on the source of the energy, and thus the extensions in the measure vary based on the energy source.

For wind facilities, the agreement extends the "placed-in-service" date to Dec. 31, 2012, three years later than the current deadline of Dec. 31, 2009. The measure extends the placed-in-service date to Dec. 31, 2013 — a three-year extension from the current deadline at the end of 2010 — for other types of facilities including closed-loop biomass, open-loop biomass, solid waste, hydropower, geothermal and landfill gas. It extends the placed-in-service deadline for marine and hydrokinetic facilities to Dec. 31, 2013 from the current deadline at the end of 2011.

According to the JCT, these extensions would cost $13.1 billion over 10 years.

Election to Claim Investment Tax Credit in Lieu of Production Tax Credit

Under current law, facilities that produce electricity from solar facilities are eligible to take a 30% investment tax credit in the year that the facility is placed in service. 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 are eligible for a production tax credit. The production tax credit is payable over a 10-year period.

It is currently difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The agreement allows owners of facilities to elect to claim the investment tax credit in lieu of the production tax credit.

The provision is estimated to cost $285 million over 10 years.

Repeal of Limitations on Credit for Renewable Energy Property

If a renewable energy property is financed with industrial development bonds or through any other government-subsidized financing program, the investment tax credit for the property must also be reduced.

The agreement repeals this limitation to allow businesses and individuals to qualify for the full amount of the investment tax credit even if the property has been financed with industrial development bonds or other subsidized energy financing.

The JCT estimates this provision would cost $604 million.

Treasury Department Energy Grants in Lieu of Tax Credits

Under current law, taxpayers can claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. Current economic conditions have undermined the effectiveness of these tax credits.

The agreement allows taxpayers to receive a grant from the Treasury Department in lieu of tax credits. Grants would amount to 30% of the cost of the facility.

The JCT estimates this provision would cost $5 million over 10 years.

The conference agreement also creates a similar program for the Treasury Department to provide low-income housing grants in lieu of tax credits. This separate provision is estimated to cost $69 million over 10 years.

Clean Renewable Energy Bonds

The agreement authorizes an additional $1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities. One third of the authorization would be available to qualifying projects of state, local, and tribal governments, one third would be available for projects of public power providers, and one third would be available for projects of electric cooperatives.

The JCT estimates this provision would cost $578 million over 10 years.

Qualified Energy Conservation Bonds

The measure authorizes an additional $2.4 billion of qualified energy conservation bonds to finance state, municipal, and tribal government programs designed to reduce greenhouse gas emissions. It also clarifies that qualified energy conservation bonds could be issued to make loans and grants for capital expenditures to implement green community programs and that the bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time.

The JCT estimates this provision would cost $803 million over 10 years.

Credit for Non-Business & Residential Energy Property

Current law provides a tax credit for certain energy-efficient improvements to existing homes, which covers items purchased through 2009. Improvements may include new furnaces, energy-efficient windows and doors, or insulation.

The conference agreement extends and temporarily increases the tax credit to 30% for non-business energy property. It repeals the reduction in tax credits by reason of receipt of subsidized energy financing, and modifies the definition of qualified energy property and wood stoves. The JCT estimates this provision would cost $2.1 billion over 10 years.

The agreement also removes the cap on the tax credit for residential wind, geothermal property, and residential solar thermal property. The JCT estimates this provision would cost $268 million over 10 years.

Consumer Vehicle Incentives

The agreement provides a tax credit for families who purchase plug-in hybrid vehicles with a base credit of $2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit is increased by $417, plus another $417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours. The credit is allowed against the AMT.

The provision is estimated to cost $2 billion over 10 years.

Increase Amounts of Alternative Fuel Pump Credits

Under current law, tax credits are available for the installation of fuel pumps for alternative fuels, such as natural gas, but certain caps are placed on the credit.

The agreement increases the business credit to 50% and caps the credit at $50,000. The measure increases the individual credit to 50%, with a cap of $2,000.

The provision is estimated to cost $54 million over 10 years.

Carbon Capture & Sequestration

The measure requires that any taxpayer claiming the $10-per-ton credit for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation. This provision is estimated to have negligible revenue impact.

Parity for Transportation Benefits

Current law provides a tax-free fringe benefit employers can provide to employees for transit and parking. Those benefits are set at different dollar amounts.

The agreement equalizes the tax-free benefits employers can provide for transit and parking, setting them both at $230 a month for 2009, indexing them equally for 2010, and clarifying that certain transit benefits apply to federal employees.

This provision is estimated to cost $192 million over 10 years.

Manufacturing & Economic Recovery Tools

Industrial Development Bonds

Under current law, certain manufacturing facilities are eligible for tax exempt bond financing, but it specifically limits the definition of a manufacturing facility to facilities that are used in the manufacturing or production of tangible personal property.

The agreement amends the definition of manufacturing facility to any facility used in the manufacturing, creation, or production of tangible or intangible property, such as patent or copyright. The measure also clarifies which physical components of a manufacturing facility qualify as "ancillary" under the industrial development bond program and are therefore subject to a 25% limitation in the amount of bond issuance used to build or re-construct those components.

This provision is estimated to cost $203 million over 10 years.

New Markets Tax Credit

Under current law, there are $3.5 billion of New Markets Tax Credits available for each of 2008 and 2009. The agreement increases the available credits for 2008 to $5 billion and the available credits for 2009 to $5 billion.

This provision is estimated to cost $815 million over 10 years.

Recovery Zone Bonds

The measure creates a new category of tax credit bonds for investment in economy recovery zones. It authorizes $10 billion in recovery zone economic development bonds and $15 billion in recovery zone facility bonds, which both could be issued during 2009 and 2010.

Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses in 2008. Municipalities receiving an allocation of these bonds from the state would be permitted to use these bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the state, city, or county that has significant poverty, unemployment, or home foreclosures.

This provision is estimated to cost $5.4 billion over 10 years.

Tribal Economic Development Bonds

Under current law, tribal governments can only issue tax-exempt bonds for essential government functions. The agreement temporarily allows tribal governments to issue $2 billion of tax-exempt bonds for projects without this restriction in order to spur economic development on tribal lands. It requires the Treasury Department to study this modification, and is estimated to cost $315 million over 10 years.

High-Speed Rail Bonds

Under current law, high-speed intercity rail facilities must reasonably be expected to operate at speeds in excess of 150 miles per hour between scheduled stops to qualify for a government issued facility bond. The agreement changes the definition of qualifying high-speed intercity rail facilities such that they must reasonably expect to achieve a top speed in excess of 150 miles per hour.

The provision is estimated to cost $288 million over 10 years.

Infrastructure Financing Tools

Extend & Increase Authorization of Qualified Zone Academy Bonds

The agreement allocates $1.4 billion of qualified zone academy bond program issuing authority to state and local governments for 2009 and 2010. The bonds can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy, defined as any public school below college level that is located in an empowerment zone or enterprise community and designed to cooperate with businesses to enhance curriculum.

The provision is estimated to cost $1 billion over 10 years.

Tax-Exempt Interest Expense for Financial Institutions

Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocated to such institution's investments in tax-exempt municipal bonds. The law also designated "qualified small issuers" that are not taken into account as investments in such bonds and are defined as any issuer that reasonably anticipates that the amount of its tax-exempt obligations will not exceed $10 million.

The agreement excludes investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent all these investments make up less than 2% of the average adjusted bases of all the assets of the financial institution. It also increases the dollar threshold for small issuers to $30 million.

The JCT estimates these provisions would cost $3.2 billion over 10 years.

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Section III

Transportation & Infrastructure

This section describes the provisions of the conference agreement on HR 1 that appropriate funds for transportation and infrastructure projects. The measure includes $48 billion for agencies of the Transportation Department for various projects, including $27.5 billion for highways, $9.3 billion for mass transit, and $1.3 billion for airports. It also includes $4.5 billion for the Army Corps of Engineers, and additional amounts for the Homeland Security Department, the Environmental Protection Agency, the Interior Department, and the Agriculture Department to carry out infrastructure activities.

Transportation Department

The agreement appropriates $48 billion for agencies of the Transportation Department, which is intended for "ready-to-go" projects.

Federal Highway Administration

The measure appropriates $27.5 billion from the general fund for highway projects under the Federal Highway Administration (FHWA). (Funding for these highway projects is usually drawn from the Highway Trust Fund.) The measure's funding is $2.5 billion (8%) less than in the House bill.

Of the $27.5 billion appropriated, the measure sets aside $310 million for Indian reservation roads, $170 million for park roads and parkways, $20 million for highway surface transportation and technology training and $20 million for bonding assistance to disadvantaged business enterprises. After those amounts and other administrative funds are set aside, the remaining amounts would be distributed to states and territories, in most cases using the same formula as under the FY 2008 appropriations law for the Transportation Department, included in the FY 2008 omnibus (PL 110-161). The measure requires 45% of funds distributed to states to be allocated by the states in the same manner as funds provided under the Surface Transportation Program.

The agreement requires recipients of funds, when selecting projects, to give priority to projects that can award funds within 120 days of enactment, that are included in approved state or metropolitan plans, that are projected to be completed in a two-year time frame, and that are located in economically-distressed areas. The measure also allows states to opt to have the federal share for a project set at 100% of the total cost of the project. Funds would have to be distributed within 21 days of enactment.

Under the measure, if less than 50% of the funds provided to each state and territory are obligated within 180 days of distribution, then the portion of the 50% of the total funding distributed to the state or territory that has not been obligated for projects would be redistributed to other states and territories that have obligated at least 50% of the funds received. The House bill required such obligation within 90 days.

FAA Airport Improvement Projects

The measure appropriates $3 billion for discretionary airport projects under the Federal Aviation Administration (FAA) grants-in-aid for airports programs, also known as the Airport Improvement Program (AIP). It bars the funds from being subject to apportionment formulas, special apportionment categories or minimum percentages, and giving the department total discretion in allocating these funds.

The measure requires that grant recipients enter into contracts or other commitments in order to use at least 50% of grant funds within 120 days of being awarded a grant.

Mass Transit

The measure appropriates a total of $9.3 billion for the Federal Transit Administration (FTA) for mass transit projects, $2.78 billion (22%) less than the House bill.

The agreement provides $6.9 billion in transit capital assistance grants, of which $5.4 billion would be set aside for grants to urban areas and $600 million for rural areas. Grant funds would be distributed using the formulas for the urban and rural grant programs. The measure allows grants to have a 100% federal share at the request of a grant recipient and requires recipients to enter into contracts to use at least 50% of funds within 180 days of the funds being apportioned. These funds would be used for purchasing buses and related equipment. Funds would be allocated within seven days of enactment.

Amtrak/Federal Railroad Administration

The measure provides $1.3 billion for capital grants to Amtrak, as authorized by last year's Amtrak reauthorization law (PL 110-432). It requires that funds be awarded within 30 days of enactment and that all projects funded be completed within two years.

The agreement also appropriates $300 million for Federal Railroad Administration (FRA) Capital Assistance for Intercity Passenger Rail Service, which would be provided to states to support capital costs of intercity passenger rail service. The measure requires that preference be given to projects for the repair, rehabilitation, upgrade, or purchase of railroad assets or infrastructure that can be awarded within 180 days of enactment. It also requires that preference be given to projects that support the development of high-speed rail, allows recipients of grants to opt for a 100% federal share, and requires that preference be given to FRA-compliant rolling stock and locomotives for grants for acquiring such items.

Requirements on Grant Recipients

The conference agreement requires governors, within 30 days of enactment, to certify for each amount distributed to a state government or agency that the state will maintain its effort with regard to state funding for the types of projects funded by an appropriation in the measure. The certification would include a statement identifying the amount of funds from non-federal sources that the state plans to expend on projects from the enactment date until Sept. 30, 2010.

The measure requires each recipient of grant funds to submit to the agency periodic reports on the use of funds, which would be compiled by the agency and submitted to Congress. Reports would be due 30 days after enactment, with updates 60, 120, and 180 days after enactment, as well as one year and three years after enactment.

Homeland Security Department

U.S. Customs & Border Protection

Like the House bill, the agreement provides $100 million for non-intrusive inspection technology to be deployed at sea ports of entry. Customs and Border Protection (CBP) needs to upgrade or replace inadequate or non-functioning non-intrusive inspection technology systems, which are required to scan cargo containers to secure supply chain security and reduce the risk that containers can be used to smuggle weapons of mass destruction, contraband, or stowaways.

The measure provides $420 million to repair and construct inspection facilities at land border points of entry. CBP construction has previously been limited to new construction and repairs of Border Patrol stations, sector headquarters, and air and marine hangars or maintenance facilities. Just $10 million is included in FY 2009, as requested, to begin renovation of 43 CBP-owned land ports of entry facilities.

The agency has identified land ports of entry modernization as a high priority, with national benefits in the form of improved border security, trade/travel facilitation, and reduced wait times. Construction would also generate direct and indirect employment. Of that $237.5 million that could be obligated for land ports of entry by the end of FY 2010, $150 million would be for the top ten priority land points of entry on which construction could begin within six months. The funding would permit recapitalization of those land ports of entry, which could result in a faster, broader, and larger stimulus effect than funding for design and planning.

Transportation Security Administration

The agreement provides $1 billion, double what was in the House version, for the purchase and installation of explosive detection systems and emerging checkpoint technologies. The advanced technologies could reduce congestion in airport terminals, improve reliability and efficiency of baggage handling, reduce screener turnover and injury rates, and improve security in airport lobbies.

Coast Guard

The measure provides $142 million for the Coast Guard for the alteration or removal of obstructive bridges, as authorized by the Truman-Hobbs Act (PL 76-647). The agreement requires the Coast Guard to award these funds to those bridges that are ready to proceed to construction.

Currently, there are 12 eligible bridges across the United States, and the $150 million would fund authorized bridges that have 90% of their design completed and could begin construction during FY 2009.

Army Corps of Engineers

The agreement appropriates a total of $4.6 billion for the Army Corps of Engineers for construction and operation and maintenance of the nation's flood control and navigation infrastructure, as well as the construction of environmental restoration projects. This total is equal to the amount included in the Senate version, but $100 million more than the House version. The funding is intended to provide improved flood protection, navigation, and hydropower to communities, as well as increase the efficiency of the nation's existing water resource infrastructure.

The Corps estimates that $2 billion could be expended on dam safety projects alone. The agency estimates that 33,300 direct and 91,800 indirect jobs would be created for this level of funding.

Construction

Like the House bill, the measure provides $2 billion for Corps of Engineers construction projects, programs, or activities that have been previously funded. The Corps is directed by the agreement to prioritize funding for activities based on the ability to accelerate existing contracts for such elements in a time period of two years after the date of enactment, giving preference to projects and activities that are labor-intensive. Funds should be used for elements of projects, programs, or activities that can be completed using funds provided by this bill.

The Corps has an authorized construction backlog of $61 billion, while the construction program is currently funded at approximately $2 billion per year.

The section of the Energy and Water Development Appropriations Act (PL 109-103) that limits Corps of Engineers agreements to total credits and reimbursements for projects not to exceed $100 million in each fiscal year would not apply to these funds.

Mississippi River & Tributaries

The agreement provides $375 million for Mississippi River and tributaries projects, programs, or activities that have been previously funded. This total is $125 million more than the amount included in the House bill, but $125 million less than the Senate bill.

The measure directs the Corps to prioritize funding for activities based on the ability to accelerate existing contracts for such elements in a time period of two years after the date of enactment, giving preference to projects and activities that are labor-intensive. Funds would be used for elements of projects, programs, or activities that can be completed using funds provided in this measure.

Operation & Maintenance

The conference agreement provides $2.1 billion for operation and maintenance, $100 million less than included in the House bill, but $200 million more than in the Senate measure.

The measure directs the Corps to prioritize funding for activities based on the ability to accelerate existing contracts for such elements in a time period of two years after the date of enactment, giving preference to projects and activities that are labor-intensive. Funds would be used for elements of projects, programs, or activities that can be completed using funds provided by the bill.

The Corps has an operation and maintenance backlog of $1 billion that grows at approximately $100 million a year due to issues related to aging infrastructure.

Homeland Security Department

The agreement provides $2.75 billion for the Homeland Security Department, $1.85 billion more than the House bill, but $1.95 billion less than the Senate version.

U.S. Customs & Border Protection

The conference agreement provides a total of $160 million for non-intrusive inspection technology to be deployed at sea ports of entry. Customs and Border Protection (CBP) needs to upgrade or replace inadequate or non-functioning non-intrusive inspection technology systems, which are required to scan cargo containers to secure supply chain security and reduce the risk that containers can be used to smuggle weapons of mass destruction, contraband, or stowaways. A portion of that funding, $60 million, would be used for tactical equipment and communications.

The funding would replace 20 non-intrusive inspection technology systems that are non-functional or fail to meet minimum performance standards for security scanning and deploy new systems to modernized or enhanced seaports. It could also enable CBP to more efficiently and rapidly process commercial goods and conveyances that traverse U.S. seaports.

The agreement provides $420 million to repair and construct inspection facilities at land border points of entry. CBP construction has previously been limited to new construction and repairs of Border Patrol stations, sector headquarters, and air and marine hangars or maintenance facilities. It also includes $100 million for expedited deployment and development of border security technology on the Southwest border of the United States.

The agency has identified land ports of entry modernization as a high priority, with national benefits in the form of improved border security, trade/travel facilitation, and reduced wait times. Construction would also generate direct and indirect employment. Of that $237.5 million that could be obligated for land ports of entry by the end of FY 2010, $150 million would be for the top ten priority land points of entry on which construction could begin within six months. The funding would permit recapitalization of those land ports of entry, which could result in a faster, broader, and larger stimulus effect than funding for design and planning.

The agreement includes an additional $20 million for automization modernization, or communications equipment, for U.S. Customs and Immigration.

Transportation Security Administration

The agreement provides $1 billion — twice as much as the House bill — for the purchase and installation of explosive detection systems and emerging checkpoint technologies. The advanced technologies could reduce congestion in airport terminals, improve reliability and efficiency of baggage handling, reduce screener turnover and injury rates, and improve security in airport lobbies.

A Transportation Security Administration (TSA) baggage screening investment study concluded that the capital funding requirements to procure new optimal screening systems, install these systems, modify facilities to expand existing systems, and acquire new systems to support new airport terminals would cost $8.2 billion over the next 20 years (by 2025). To date, less than two-thirds of the largest airports have optimal systems at some or all terminals, including 20 airports that have optimal systems installed at all terminals and 34 airports that have optimal systems installed at some, but not all, terminals. The remaining airports have sub-optimal screening or large explosive detection systems that create security and traffic flow problems.

Currently, there are 27 airports with approved designs that could be funded. A $1 billion investment would permit TSA to begin and complete in-line installations at a few of the nation's largest airports and numerous smaller ones, with funds awarded based on security risks at the airports. These funds could help TSA accelerate the procurement of next generation passenger screening technologies, which could permit screeners to better identify threat objects in carry-on bags or on a person, hone in on the latest threats, lessen or alleviate the current restrictions on liquids, and reduce passenger wait times.

TSA would be required to prioritize the award of these funds to accelerate the installations at locations with completed design plans and to expeditiously award new letters of intent.

Coast Guard

The conference agreement provides a total of $240 million for the Coast Guard for the alteration or removal of obstructive bridges, as authorized by the Truman-Hobbs Act (PL 76-647). The measure requires the Coast Guard to award these funds to those bridges that are ready to proceed to construction. The agreement's appropriations are $90 million more than in the House bill.

Currently, there are 12 eligible bridges across the United States, and the measure would help fund authorized bridges that have 90% of their design completed and could begin construction during FY 2009. The investments are intended to improve efficiency of waterway transport, spurring more cost-effective delivery of raw materials and finished goods important to the nation's economy, while improving the safety of marine navigation.

Homeland Security Headquarters

The agreement includes $200 million for the consolidation of Homeland Security Department Headquarters. It also provides $5 million for the inspectors general to oversee the Homeland Security programs in the conference agreement.

Federal Emergency Management Agency

The conference agreement provides $300 million in grants for state and local programs of the Federal Emergency Management Agency, including $150 million for Public Transportation Security Assistance and Railroad Security Assistance, and the other $150 million for port security grants.

Environmental Protection Agency

The agreement provides $7.2 billion for the Environmental Protection Agency (EPA), the same amount as included in the Senate version but $2.2 billion less than included in the House bill.

Clean Water Infrastructure

The agreement appropriates $4 billion — $2 billion less than the House bill — for the Clean Water State Revolving Fund, which provides grants to states for wastewater treatment projects. The measure provides $2 billion for the Drinking Water State Revolving Fund, which provides grants to states for drinking water infrastructure projects. It also provides $500 million for Bureau of Reclamation rural drinking water projects.

EPA Environmental Restoration Projects

The measure appropriates $800 million for the EPA Superfund Program projects, the same amounts included in the Hous and Senate bills, which include removal of hazardous substances from land and water, and assistance to local residents affected by the corresponding polluted areas. The measure also appropriates $200 million for the EPA Leaking Underground Storage Tanks Program, which provides funding to remove leaking underground petroleum storage tanks and clean up the corresponding pollution.

Interior Department

Bureau of Reclamation

The agreement provides $1 billion for Bureau of Reclamation water projects, prioritizing drinking water projects in drought-prone areas in western states.

Park Service

The measure appropriates $750 million for the Park Service to complete projects relating to roads, bridges, trails, abandoned mines, and other facilities in 49 states.

Bureau of Indian Affairs

The agreement provides $450 million for the Bureau of Indian Affairs for various infrastructure projects, including roads, schools, and prisons. It permits the Bureau of Indian Affairs to use its own methodology in distributing the funding to Indian tribes.

U.S. Fish & Wildlife Service

The measure appropriates $280 million for U.S. Fish and Wildlife Service resource management and construction projects, including fish hatchery construction projects.

Bureau of Land Management

The agreement provides $180 million for the Bureau of Land Management for road, bridge, and trail repair and decommissioning projects, the same amount included in the Senate version, but $145 million less than the House bill. It also provides $125 million for land and resource management.

U.S. Geological Survey

The measure provides $140 million for U.S. Geological Survey facility repair projects, $60 million less than the House, but $5 million more than the Senate version.

Agriculture Department

The agreement provides $650 million for construction and maintenance projects, with priority directed towards projects that produce the highest number of new jobs.

The measure provides $500 million for the U.S. Forest Service for wildfire prevention and mitigation activities. Of that total, $250 million would be for a grant program that funds state wildland fire management, and $250 million would be for hazardous fuel reduction activities.

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Section IV

Energy & Science

This section summarizes the provisions of the conference agreement on HR 1, dealing with energy and scientific research and development programs. The measure provides $37.5 billion for energy programs, and $11 billion for electricity production, distribution, and transmission systems. The agreement also provides $5.6 billion for various science and technology programs.

Energy Efficiency Programs

The agreement provides $16.8 billion for energy efficiency programs administered by the Energy Department. The agreement's appropriation is $1.7 billion less than the amount included in the House-passed version, but $2.4 billion more than the amount included in the Senate-passed version. The agreement also provides $5.5 billion for General Service Administration projects to modify federal buildings with energy-efficient technologies.

Federal Building Modifications

The measure appropriates $5.5 billion for federal building construction and repair projects, $2.2 billion less than the House-passed measure, but $700 million more than the Senate-passed version. Of that total, the agreement directs $4.5 billion for projects that achieve the highest levels of energy efficiency for the buildings, known as "high performance green buildings."

These renovations would include installation of photovoltaic cells (solar panels) on rooftops, lighting systems with timers and occupancy sensors, and more energy-efficient mechanical systems. Such construction projects were authorized by the 2007 Energy Independence and Security Act (PL 110-140). The agreement also provides $4 million for the Office of Federal High-Performing Green Buildings to establish energy efficiency building standards, also known as "green building" standards.

Low-Income Housing Weatherization

The agreement provides $5 billion for the Energy Department's Weatherization Assistance Program, which covers some of the costs of insulating low-income residences, $1 billion less than the House-passed version. The Senate-passed version contained <u>no</u> funding. Like both the House- and Senate-passed versions, the measure also raises the eligibility limit to 200% of the federal poverty line, from 150%. The measure also increases the maximum amount allowed per residence to $6,500, from $2,500.

Energy Efficiency Block Grants

The agreement appropriates $3.2 billion for the Energy Department's Energy Efficiency Block Grant Program. The program, which was authorized by the 2007 Energy Independence and Security Act (PL 110-140), provides grants to state, local, and tribal governments to fund public facility renovation projects that would install more energy efficient building technologies and materials, and energy efficient technology demonstration projects.

State Energy Program

The measure provides $3.1 billion for the Energy Department's State Energy Program, which provides grants to states to fund state government energy technology research and development programs. This total is $300 million less than the amount included in the House-passed version, but $2.6 billion more than in the Senate-passed version.

Energy Research & Development

The agreement provides $2.5 billion for Energy Department energy efficiency and renewable energy research, development, demonstration, and deployment projects. Of that amount, $800 million would be used for biomass energy technology development, and $400 million would be used for geothermal projects. Biomass technologies includes growing plants to be used to produce fuel (biofuels) and using biodegradable waste as fuel. Geothermal energy is derived from capturing heat produced naturally underground.

Advanced Battery Technology

The measure provides a total of $2 billion for domestic manufacturing facilities to develop more advanced vehicle batteries. The total amount is identical to the amount contained in the Senate version, but $1 billion more than the House bill. The agreement does <u>not</u>, however, include the $2 billion in loan guarantees included in the House-passed version.

Alternative Fuel Vehicles Pilot Grant Program

The agreement includes $300 million for the Energy Department to distribute grants, through its Clean Cities Program, to state and local governments, metropolitan transportation authorities, air pollution control districts, and appropriate private entities to be used to purchase and demonstrate alternatively fueled vehicles that utilize fuel cell, electric, or hybrid drive system technologies. This amount is $100 million less than the amount included in the House-passed version and $50 million less than the Senate-passed version.

Energy Efficient Appliance Rebate Program

The measure appropriates $300 million for an Energy Department grant program that provides funding assistance for energy efficient consumer appliance rebate programs. This amount is identical to the amount included in the House-passed version; the Senate-passed version did not include any funding. Currently, 15 states have such programs, which provide rebates to consumers who purchase energy efficient "energy star" appliances to replace used, less efficient appliances, which must be relinquished upon purchasing the new appliances.

Transportation Electrification

The agreement provides $400 million for a transportation electrical system construction program, authorized by the 2007 Energy Independence and Security Act (PL 110-140), at transportation facilities, including seaports and truck stops. The projects would include construction of electrical systems that vessels and vehicles could use for power instead of running onboard generators. The House- and Senate-passed versions each included $200 million. The projects' goal is to reduce emissions by reducing the need for vehicles to run such generators, which are usually powered by diesel engines.

Alternatively Fueled Vehicle Fleets

The measure provides $300 million to replace vehicles in federal fleets with alternatively fueled or hybrid vehicles, the same amount included in the Senate version, but $300 million less than the House-passed version.

Energy Production Programs

The agreement appropriates $9.4 billion for programs directly related to energy production administered by the Energy Department's Office of Energy Efficiency and Renewable Energy.

Renewable Electric Power Loan Guarantees

The measure provides $6 billion for the Renewable Energy and Electric Power Transmission Loan Guarantee Program, which provides loan guarantees to private entities to fund alternative energy research. This amount is $2 billion less than the amount included in the House bill and $3.5 billion less than the Senate version. The research would be for biofuel projects that will use technologies that are deemed commercially viable and produce transportation fuels that will reduce greenhouse gas emissions.

Carbon Sequestration

The agreement appropriates $3.4 billion for research, development, and demonstration of carbon sequestration, also known as carbon capture, projects. This amount is $1 billion more than the House version, but $1.2 billion less than the Senate bill. Carbon sequestration technology is designed to capture and store underground carbon produced from the burning of fossil fuels, rather than allowing it to be emitted into the atmosphere.

Energy Transmission Programs

The agreement provides $11 billion for energy transmission projects, including $4.5 billion for "smart grid" and other electrical grid infrastructure technologies, $3.25 billion in borrowing authority for the Western Area Power Administration, and $2.35 billion in borrowing authority for the Bonneville Power Administration, the same amounts provided in both the House and Senate bills.

Smart Grid Technology

The measure provides $4.5 billion for implementing "smart grid" technologies, which would sense, collect, and monitor data from a grid, would provide real-time, two-way communication to help monitor or manage the grid, and would provide real-time analysis and event prediction based on data that would be used to improve the reliability, quality, and performance of the electricity grid.

The Smart Grid Investment Program provides funds for regional demonstration projects, designed to tailor transmission technologies for the specific needs of different geographical regions, and provides matching grants to states to implement smart grid demonstration projects.

Power Administration Borrowing Authority

The agreement appropriates $3.25 billion in increased borrowing authority for the Western Area Power Administration, which transmits hydroelectric power in 15 western states. The funds would be used to fund electrical transmission projects.

The measure provides $3.25 billion in increased borrowing authority for the Bonneville Power Administration, which transmits electricity in the Pacific Northwest, for renewable energy projects.

Science Programs

The conference agreement appropriates $5.6 billion for various science programs, including economic, environmental, weather, and construction research and development programs, and habitat restoration construction projects. This amount is $500 million more than the amount included in the House version, and $2.7 billion more than provided in the Senate bill.

National Science Foundation

The measure provides $3 billion for the National Science Foundation, the same amount included in the House bill, but $2.8 billion more than in the Senate version. Of the total provided, $2.5 billion is for research on social, economic, and environmental issues as authorized by the 2007 America COMPETES Act (PL 110-69), $400 million for construction of research facilities, and $100 million for education and human resources programs.

National Oceanic & Atmospheric Administration

The agreement appropriates $836 million for the National Oceanic & Atmospheric Administration, $164 million less than the House-passed version and $192 million less than the Senate bill. Of that total, the measure provides $600 million for procurement, including $230 million for procuring sensory equipment for studying the weather.

National Aeronautics & Space Administration

The measure provides $1 billion for the National Aeronautics and Space Administration (NASA), $400 million more than the House version, but $300 million less than the Senate bill. Of that total, $400 million would be set aside for climate change research, with at least $250 million of that to be used to conduct NASA's Earth science and climate research missions recommended by the National Academies' decadonal survey. Of the $1 billion total, $150 million would be for aeronautics research and development, and $400 million would be for aeronautics.

National Institute for Standards & Technology

The agreement appropriates $780 million for the Commerce Department's National Institute for Standards and Technology, which works with the private sector in an effort to advance U.S. competitiveness in science and technology fields. This amount is $280 million more than the amount included in the House bill, and $305 million more than the Senate version. Of that total, $360 million would be for research and development facility construction grants, and $240 million for research grants.

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Section V

Education & Health

This section summarizes the provisions of the conference agreement on HR 1, relating to education and health care — including Pell grants, Title I education, health information technology, and the Head Start program.

Education

The measure provides more than $100 billion in education funding, including $53.6 billion for a "state fiscal stabilization fund," which would provide funding to local school districts to prevent cutbacks and layoffs, and provide for school modernization. The measure also provides for increases in Pell grant awards and funding for special education.

Stabilization Fund

The agreement provides $53.6 billion for a state fiscal stabilization fund. Of that total, $39.5 billion would be used to enhance local school budgets. States would be permitted to use funding out of that total for school modernization projects. The agreement, however, does not contain the specific $14 billion appropriation for school construction that was included in the House-passed measure.

Pell Grants

Like the House and Senate-passed bills, the agreement provides $15.6 billion for Pell grants. Under the measure, the (discretionary) maximum Pell grant would increase by $500, to $4,860 from $4,360 for the 2009 through 2010 academic year. When these funds are combined with the "mandatory funding" authorized and appropriated by the the College Cost Reduction and Access Act (PL 110-84) — which increased the maximum award by $490 — the maximum Pell award would be $5,350.

Title I Grants

The agreement provides $13 billion for Title I grants for disadvantaged children programs, the same as the House-passed bill, but $600 million more than the Senate measure. Title I grants provide funding in high-poverty areas for programs that provide academic support to poor children who are struggling to meet state education standards.

Disabled Students State Grants

The measure provides $12.2 billion for grants to states authorized under the Individuals with Disabilities Education Act, which help states to provide special education and related services to children with disabilities.

Head Start/Early Start

Like the House and Senate-passed bills, the conference agreement provides $2.1 billion for these programs, which provide comprehensive education, health and nutrition, and social/emotional development services for low-income children. Early Start is aimed at infants and toddlers. The House Appropriations Committee estimates that these additional funds would enable approximately 110,000 additional children to be served annually by the programs, "with a particular emphasis on early intervention services to infants and toddlers under Early Head Start." The House committee also estimated that approximately 50,000 jobs would be created for Head Start teachers and staff.

School Improvement Programs

The measure provides $720 million for school improvement programs, including $650 million for the Advancing Education through Technology program, and $70 million for the Education for Homeless Children and Youth Program.

College Work-Study

The agreement provides $200 million for the College Work-Study program, which supports low and moderate-income students who work while at school. Those funds would have to be matched with 25% non-federal funds. Colleges and universities would also be required to use at least 7% of their allocation for payments to students employed in community service activities.

Impact Aid Construction

The measure appropriates $100 million for construction of schools that educate "federally-connected students or have federally-owned land." According to the Education Department, Impact Aid disburses payments to local school jurisdictions that are "financially burdened by federal activities."

Health

The conference agreement provides for an infusion of Medicaid funds to states, and expands eligibility for the program in order to cover individuals who have become uninsured as a result of unemployment. In addition, the measure provides $19 billion for improvements in health information technology (IT). It also establishes a program exclusively focused on preventive health care and provides for funding increases for medical research, the Head Start and Early Start programs, community health centers, child care programs, and training programs for primary care professionals.

Medicaid

The agreement expands eligibility for Medicaid and provides for increased federal matching payments to states. For a detailed explanation of this provision, see Section VII.

Health Information Technology

The measure includes roughly $19 billion for health information technology infrastructure and Medicare and Medicaid incentives to encourage doctors, hospitals, and other providers to use health IT to electronically exchange patients' health information. The Congressional Budget Office estimates that if the measure is enacted, approximately 90% of doctors and 70% of hospitals would adopt and use certified electronic health records within the next decade. In turn, that would save the government more than $12 billion (through reduced spending on Medicare, Medicaid, and other programs) and generate additional savings throughout the health sector through improvements in quality of care, care coordination, and reductions in medical errors and duplicative care. The estimated net cost of this provision is $17.2 billion, but an additional $2 billion would also be made available for affiliated grants and loans through discretionary funding.

COBRA

Under current law, workers who become unemployed can temporarily continue the health coverage previously provided by their employers by paying the full cost of the insurance premiums, under a program known as COBRA.

The conference agreement provides for a 65% federal subsidy for health insurance premiums under COBRA for up to nine months for workers (and their families) who have been involuntarily terminated. The House-passed bill would have provided such assistance for up to one year. To qualify for premium assistance, a worker must have been involuntarily terminated between Sept. 1, 2008 and Dec. 31, 2009. The Joint Committee on Taxation estimates that this provision would help 7 million people maintain their health insurance, and would cost an estimated $24.7 billion.

NIH University Facilities

The agreement provides $500 million for university research facilities. This funding is intended to help universities compete for the biomedical research grants supported by the National Institutes of Health (NIH). Funds would be provided on a competitive basis through requests for applications with a statutory board to conduct peer reviews.

NIH Director Funds

The measure provides $8.2 billion for the Office of the Director, $6.7 billion more than the House-passed version, but $1 billion less than the Senate version. The statement of managers specifies that of this total appropriation, $8 billion should be used for grants for projects that can be completed within two years.

National Research Center Resources

The measure appropriates $1.3 billion for National Research Center Resources. Of this total, $1 billion would be for renovation of facilities.

Transitional Medical Assistance

The agreement extends the Transitional Medicaid Assistance program through Dec. 31, 2010. (This program is scheduled to expire on June 30, 2009.) The provision would cost $1.3 billion. The program allows families in transition from welfare to the workforce to extend their Medicaid coverage for up to four months. It is intended to ensure that poor families do not lose health care coverage as their incomes increase. The authorization for these programs is currently scheduled to expire at the end of this month.

Qualified Individual Program

The measure extends the Qualified Individual (QI) program, which assists certain low-income individuals with Medicare Part B premiums, through Dec. 31, 2010. (The program would currently expire on Dec. 31, 2009.) The estimated cost of this provision is $550 million. The program helps Medicare beneficiaries who have a limited income but are not poor enough to qualify for Medicaid with financial assistance to help pay their Medicare premiums.

Community Health Centers Care Services

The agreement appropriates $500 million for community health centers to provide care to uninsured and underserved rural and urban populations. In its report, the House Appropriations Committee notes that a 2008 study conducted by the George Washington University showed that a $250 million annual increase could support an additional 1.8 million people in the low-income communities where such health centers are located.

Community Health Centers Modernization

The measure provides $1.5 billion for community health centers modernization. This appropriation would be allocated through competitive grants or supplements to existing community health centers awards.

Training for Primary Care Physicians & Nurses

The agreement provides $500 million for training programs for primary care providers, including pediatricians, dentists, nurses, and professionals working in family medicine and internal medicine. According to the House Appropriations Committee, this provision would double annual funding for training primary care doctors and dentists, and nursing programs such as nurse scholarships, nurse faculty loans, and advanced nursing.

Prevention & Wellness Fund

The measure provides $1 billion for the creation of a "prevention and wellness fund," to make investments in preventive health care. Of this total, $2.4 billion would be transferred to the Centers for Disease Control and Prevention. This appropriation is one third of what was provided for in the House-passed version, while the Senate proposed <u>no</u> such funding.

Child Care Development Block Grant

The agreement provides $2 billion for the Child Care Development Block Grant, which distributes funds to states for child care services for low-income families. The House Appropriations Committee notes in its report that nearly 140,000 fewer children are currently receiving child care help than in 2002. The House committee contends that this additional funding would enable states to provide child care assistance for an additional 300,000 children in "low-income working families who have been hit hard by the economic crisis," and would generate paid employment for an estimated 125,000 caregivers.

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Section VI

Housing & Job Training

This section deals with provisions in the conference agreement on HR 1, relating to housing policy and job training.

Housing Assistance

The Public Housing Capital Fund provides money, annually, to public-housing agencies for the development, financing, and modernization of public housing developments and for management improvements. The funds are prohibited from being used for luxury improvements, direct social services, costs funded by other Housing and Urban Development Department (HUD) programs, and ineligible activities as determined by HUD on a case-by-case basis. In each of FY 2007 and FY 2008 the fund provided $2.4 billion in grants to local housing agencies.

The agreement appropriates $4 billion to the Public Housing Capital Fund, of which $3 billion would be administered through the current grant process and $1 billion would be administered through a new competitive grant process. The new process would provide funding to projects that rehabilitate units to improve energy efficiency, that increase affordable housing projects that are ready-to-go, and address the housing needs of senior citizens and persons with disabilities. Projects that can award contracts, based on bids, within 120 days from the date that funds are available to the recipients would be given priority.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program was created by the Housing and Economic Recovery Act (PL 110-289), and has been provided $4 billion. The funding was provided to local governments and states with high levels of foreclosures to purchase and rehabilitate vacant housing. The intent of the program is to eliminate blight and return vacant units to use as affordable rental housing and affordable homeownership opportunities.

The measure provides $2 billion in additional funding to the program, which is $2.2 billion less than the House-passed version.

Energy Efficiency Upgrades

The HUD Section 202 program provides capital advances to finance the construction, rehabilitation or acquisition, with or without rehabilitation of structures, that will serve as supportive housing for very low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable. The Section 811 program is similar to Section 202, except the capital is provided to nonprofit organizations. Project-based Section 8 vouchers are a component of a housing choice voucher program operated by local housing agencies. An agency can attach up to 20% of its voucher assistance to specific housing units if the owner agrees to either rehabilitate or construct the units, or the owner agrees to set-aside a portion of the units in an existing development.

The agreement provides $2.3 billion for energy-efficient renovations and retrofits of Section 202, Section 811, and Section 8 units. The funds would be administered through a competitive bid process.

HOME Program

HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. According to HUD, each year it allocates approximately $2 billion among states and hundreds of localities nationwide.

The agreement appropriates $2.3 billion for the HOME program, $750 million more than the House-passed version. Projects that can award contracts, based on bids, within 120 days from the date that funds are available to the recipients would be given priority.

Emergency Shelter Grants

The Emergency Shelter Grants program provides homeless persons with basic shelter and essential supportive services. It can assist with the operational costs of shelter facilities, and the administration of grants. The grants also provide short-term homeless prevention assistance to persons at imminent risk of losing their own housing due to eviction, foreclosure, or utility shutoffs.

The measure appropriates $1.5 billion for the program. It allows the funds to be used for short-term or medium-term rental assistance, housing relocation and stabilization services including housing search, mediation or outreach to property owners, legal services, credit repair, resolution of security or utility deposits, utility payments, rental assistance for a final month at a location, and moving costs assistance.

Federal Emergency Management Agency

The agreement provides $200 million for the Federal Emergency Management Agency (FEMA) Emergency Food and Shelter Program, which provides federal funds to local community organizations to support food, shelter, and services to the nation's hungry, homeless, and economically-struggling people. The funds are distributed by a formula that is based on unemployment and poverty levels.

Agencies use funds for mass shelter, mass feeding, food distribution through food pantries and food banks, one-month utility payments to prevent service cut-off, and one-month rent and mortgage assistance to prevent evictions or assist people leaving shelters to establish stable living conditions. In each of the past few years, nearly 12,000 local non profit and government agencies have received Emergency Food and Shelter Program funds in more than 2,500 jurisdictions nationwide. The number of unemployed has already risen from 6.9 million to 10.3 million and is projected to reach almost 13 million by the end of 2009, and many food banks are running out of food due to the huge growth in demand for their services.

Under the agreement, any funds that are not used within a certain period of time would be redistributed by FEMA and the National Board, which could reallocate and obligate any funds that are unclaimed or returned to the program. The amount set aside from this appropriation for management and oversight expenses would be 3.5% instead of the 0.5% authorized for other appropriations.

Other Housing Assistance

The measure also appropriates the following amounts:

- $200 million to support $11 billion in direct loans and loan guarantees to assist rural families buy homes;
- $500 million for rehabilitation and energy efficiency upgrades at housing maintained by Native American housing programs; and
- $100 million for competitive grants to local governments and nonprofit organizations to remove lead-based paint hazards in low-income housing.

Job Training Programs

The agreement provides $3.95 billion for job training programs authorized under the Workforce Investment Act, $50 million less than the House bill, but $700 million more than the Senate measure. Those programs include employment services for adults as well as youth, grants to states for re-employment services, and the Job Corps. In addition to this appropriation, the measure provides funding for community service grants as well as Labor Department management expenses.

Job Training Programs

The measure includes $1.2 billion for youth services, and raises the age of eligibility for such programs to 24. It also appropriates $1.3 billion for states and localities to administer re-employment services to dislocated workers, and $500 million for job training services for adults.

Jobs in High Growth Sectors

The agreement provides $750 million for competitive job training grants for "high growth and emerging industry sectors." Of that total, $500 million would be used for jobs relating to energy efficiency and renewal.

State Employment Grants

The measure provides $400 million for state employment and re-employment service grants, which state employment agencies use to match unemployed residents with appropriate job openings. Half of this appropriation would be designated for expedited re-employment services for unemployment insurance claimants.

Job Corps

The agreement provides $250 million for the Job Corps program, a network of residential facilities that serves at-risk youth. In its report, the House Appropriations Committee notes that the average Job Corps center is 42 years old, and describes some buildings as "unserviceable." These funds would be used for the reconstruction and repair of such facilities, as well as the acquisition of new ones.

Community Service Employment for Seniors

The measure provides $120 million for the Community Service Employment for Older Americans program, which offers grants to nonprofit organizations to subsidize part-time work in community service for low-income seniors.

Administrative Funds

The measure provides $80 million for Labor Department oversight activities to enforce worker protection laws and regulations, as well as to provide resources for the department's "oversight and coordination of activities related economic recovery funding." Under the agreement, funds could be used for administration of the unemployment insurance program.

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Section VII

Aid to States, Small Business & Other

This section summarizes the provisions of the conference report on HR 1, that deal with small business, aid to state and municipal governments, and other provisions.

State & Local Government Aid

Medicaid

The agreement also provides additional federal matching payments for state Medicaid programs. The measure stabilizes federal medical assistance percentages for states that would otherwise receive reduced payment rates under the existing formula. In addition, all states would receive an increase in their matching payments by 6.2 percentage points over a 27-month period. For states with large increases in unemployment, the measure provides additional increases in their federal matching payments directly proportional to the increase in their unemployment rates. The agreement also provides for a bonus payment structure that would decrease state financial obligations for Medicaid based on increases in the state's unemployment rate. This provision would cost the federal government an estimated $86.6 billion.

Unemployment Insurance

The measure continues the current extension of unemployment insurance, which would otherwise be phased out at the end of March, through December 31. Current law provides unemployed workers with up to 33 weeks of extended benefits. This provision would cost an estimated $27 billion. The agreement increases, through December 31, the current average unemployment insurance benefit by $25 per week, to $325 per week. This would cost an estimated $8.8 billion. The measure also provides one-time grants to encourage states to modernize their unemployment compensation systems in order to increase coverage among low-wage, part-time, and other jobless workers. This provision would cost an estimated $3 billion.

Nutrition Programs

The agreement appropriates $20 billion in additional funds for the food stamp program, and lifts restrictions that limit the amount of time individuals can receive such assistance. Such restrictions — lifted by the conference agreement — include a prohibition on enrollment of individuals who received food stamps for at least three months and did not work 20 hours or more per week, or did not participate in and comply with the requirements of a state work program for 20 hours or more per week.

The Rural Community Facilities Program provides financing to local governments, nonprofit corporations, and federally-recognized Indian tribes for the development of essential community facilities in rural areas. Program funds can be used for health care facilities; fire, rescue, and public safety buildings, vehicles, and equipment; libraries and other important community needs. Last year, the agency had applications for $1.1 billion in community facility loans and $137 million for community facility grants that it was not able to fund.

Assistance to Rural Areas

The agreement provides $130 million for the program, $70 million less than the House bill.

Rural Water

The rural water and waste grant and loan programs, which serve rural areas with populations of 10,000 or less, help local communities fund drinking water and wastewater treatment infrastructure, with priority given to smaller and poorer communities. Last year, the Agriculture Department did not have funding for $2.4 billion in water and waste loan applications and $990 million in water and waste grant applications.

The measure appropriates $1.4 billion for the rural water and waste grant and loan programs.

Law Enforcement

The agreement appropriates $2.8 billion for state and local law enforcement assistance. Of that total, $2 billion is for the Edward Byrne Memorial Justice Assistance Grant Program, which awards grants to states for use by state and local governments for criminal justice programs, such as drug task forces, community crime prevention efforts, substance abuse treatment programs, and prosecutorial initiatives, with an emphasis on combating violent crimes.

The measure also provides $1 billion for the Community Oriented Policing Services Program, which provides grants to states to implement law enforcement and crime prevention strategies that involve community support, to hire additional law enforcement officers.

Rural Broadband

The agreement provides $7.2 billion for grants to deploy broadband in underserved and underseved areas. Of that total, $4.7 billion would be for a new grant program run by the National Telecommunications and Information Administration, and $2.5 billion for the existing deployment program run by the Agriculture Department's Rural Utilities Service. Internet service providers would be required to provide open access to broadband networks (net neutrality) built using the federal funds.

Small Business Investments

Small Business Administration

The agreement provides $636 million for new direct lending and guarantee authorities under the Small Business Administration's (SBA) 504 certified development company (CDC) program, which provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. CDCs are nonprofit corporations set up to contribute to the economic development of their communities. The CDC program is a joint investment that requires private lenders to provide up to 50% of project costs, and the SBA to provide up to 40% while owners inject 10%. The funds are prohibited from being used for working capital or inventory, consolidating or repaying debt, or refinancing.

Under the agreement, the SBA would be authorized to guarantee up to 90% of small business loans originating under the 504 program, and to refinance such loans. The SBA would also be authorized to make loans to broker-dealers in the secondary market, which would enable broker-dealers to purchase the SBA's guaranteed portion of loans from lenders, thereby allowing lenders to provide more loans.

Rural Business Loans

The Business and Industry Loan Guarantee program guarantees loans made by eligible local lenders to businesses to benefit rural areas. The program typically guarantees losses of up to 80% of the original loan amount, which is normally limited to a maximum of $10 million per borrower. The guaranteed loans are for businesses in rural areas up to 50,000 population, and priority is given to applications for loans in rural communities of 25,000 or less.

The measure appropriates $150 million for the program, which would guarantee $3 billion in loans.

Economic Development Assistance

The Commerce Department's economic development assistance program was created during the 1960s to address problems of long-term economic distress in declining urban industrial cores and stagnating rural areas. The program's funding is first distributed regionally on a formulaic basis based on high unemployment or low per capita income, and then each region actively seeks competitive applications. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act (PL 110-329) appropriated $400 million for the program.

The measure appropriates an additional $150 million for the program.

Defense & Veterans Departments

Defense Department

The agreement includes $4.2 billion for repairs and modernization of existing military facilities, including funding for energy efficiency projects.

The measure provides $400 million for energy-efficient improvements to military health care facilities.

The agreement also contains $2.3 billion for quality of life and family-friendly military improvement projects such as family housing, hospitals, and child care centers.

Veterans Department

The agreement appropriates $1.2 billion for veterans' medical facilities and for monument and memorial repairs at Veteran Affairs' cemeteries throughout the country.

Trade

Expansion of Trade Adjustment Assistance

The agreement expands current Trade Adjustment Assistance (TAA) to trade-affected services sector workers and workers affected by offshoring or outsourcing to all countries, including China or India.

The measure increases training funds available to states by 160%, to $575 million a year, creates a new TAA program for trade-affected communities, allows for automatic TAA eligibility for workers suffering from import surges and unfair trade, makes training, healthcare and re-employment TAA benefits more accessible and flexible, and enhances benefits in the TAA for Firms and TAA for Farmers programs.

The agreement also reauthorizes all TAA programs through Dec. 31, 2010.

Duty Refund Recollection

The agreement prohibits U.S. Customs and Border Protection (CBP) from demanding that U.S. lumber, steel, and other companies repay duties that CBP collected on Canadian and Mexican imports, and then distributed to the companies between 2001 and 2005.

The provision is estimated to cost $90 million over 10 years.

Other Provisions

Executive Compensation

The measure places limits on the compensation for executives at companies that have received, and in the future will receive, government assistance through the Treasury Department's Troubled Asset Relief Program (TARP). Executives would be prohibited from receiving compensation based on "unnecessary and excessive risk," false earning statements, and barred from receiving golden parachute payments. Bonuses, retention awards, or incentive compensation would also be prohibited from being paid out during the period TARP funds are outstanding.

Which company executives would be affected by these limits would be determined by the amount of TARP funds the company received. For companies that received $25 million or less only the most highly compensated employee would be affected; for companies receiving between $25 million and $250 million, the top five most highly compensated employees; for companies receiving between $250 million and $500 million, the five most highly compensated executives and the next 10 most highly paid employees would be affected; and for companies receiving more than half a billion, dollars the five most highly compensated executives and the next 20 most highly paid employees.

The measure requires companies that receive TARP funds to allow shareholders to have a nonbinding vote approving all executive compensation at such companies.

Oversight Board

The measure creates a Recovery Act Accountability and Transparency Board to coordinate and conduct oversight of federal spending under the agreement. The board would consist of the president's chief performance officer, who would chair the board, and the inspectors general or a deputy secretary of the Education, Energy, Health and Human Services, and Transportation departments, and one other from a federal agency that receives funding under the agreement.

The agreement requires the board to submit to Congress reports, to be known as "flash reports," on potential management and funding problems that require immediate attention. It would also submit to the administration and Congress quarterly reports summarizing its findings and the findings of agency inspectors general. All board reports would be posted on the Recovery.gov Web site, which the board would create.

The measure appropriates $84 million — $70 million more than the House bill and $77 million more than the Senate measure — to create an advisory panel to the board that would be composed of five presidential appointees. The panel would make recommendations to the board on actions it could take to prevent waste, fraud, and abuse under the agreement. This appropriation could also be transferred to the Office of Management and Budget (OMB) for coordinating and overseeing the agreement's reporting requirements.

Public Web Site

The agreement requires each federal agency that receives funds under the agreement to post the plan for using such funds and announcements for grant competitions, allocations of formula grants, and awards of competitive grants to the Recovery.gov Web site, which would be accessible to the public. State and local governments that receive funding for infrastructure projects must report on Recovery.gov the specifics for how the funds are obligated, and how many jobs were sustained or created by the funds. Additionally, all contracts awarded using funds appropriated by the agreement that are not fixed-price and not awarded using competitive procedures would have to be posted in a special section of the Web site.

Reports

The measure requires the Council of Economic Advisers, in consultation with the OMB and the Treasury Department, to submit quarterly reports to Congress detailing the estimated impact of programs under this agreement on employment, economic growth, and other key economic indicators.

The Government Accountability Office (GAO) would prepare bimonthly reports that review state and local government use of funding received under the agreement. GAO audits would be posted on Recovery.org.

Census

The measure provides $1 billion for the 2010 decennial census to hire additional personnel, and for training and targeted media purchases.

E-Verify Program

The agreement does <u>not</u> include the House provision that would have prohibited the government from contracting with employers that do not use the E-Verify program, an Internet-based program administered by the U.S. Citizenship and Immigration Services that allows employers to verify the employment eligibility of their hires.

Buy American Steel

The measure provides that iron and steel used in construction and repair projects funded under the agreement be produced in the United States — unless it violates obligations under World Trade Organization agreements. The House-passed version <u>mandated</u> that American steel be used in all projects, which caused a backlash in Europe and threats of retaliatory measures.

Union Wages

The measure requires all employers that receive contracts under the agreement to pay their workers the prevailing union wage under Davis-Bacon laws.

Debt Limit Increase

The agreement increases the federal debt limit by $789 billion — to $12.104 trillion from $11.315 trillion. The Emergency Economic Stabilization Act (PL 110-343) increased the debt limit last October by $700 billion, and followed an $800 billion increase three months prior (PL 110-289).