

Florida League of Cities

ALERT

FAST
Federal
Action Strike Team

TO: Key Officials
FLC Board of Directors
Members, Federal Action Strike Team
Directors, Local and Regional Leagues

FROM: John Charles Thomas, Director
Policy and Political Affairs

DATE: January 30, 2009

RE: Economic Stimulus Plan - House/Senate Comparison

Attached is a comparison of the House and Senate economic stimulus plans that was compiled by the National League of Cities.

The Senate will likely begin debate on their bill next Thursday.

The League will provide additional information as it becomes available.

Comparison of House and Senate Economic Recovery Bills (Funding)
National League of Cities
January 30, 2009

Issue Area	Federal Program	House Funding: Passed Floor on 1/28	Senate Funding: Passed Committees on 1/27
Transportation	Highways	\$30 B	\$32 B
	Transit	\$12 B	\$8.4 B
	Airport Improvement Program	\$3 B	\$1.1 B
	Amtrak	\$11 B	\$11 B
Energy	Energy Efficiency and Conservation Block Grant	\$3.5 B	\$4.2 B ¹
	Low Income Home Energy Assistance Program	\$1 B	\$0
	Low Income Weatherization Assistance Program	\$6.2 B	\$2.9 B
Environment	Clean Water SRF ²	\$6 B	\$4 B
	Drinking Water SRF ²	\$2 B	\$2 B
	Superfund	\$800 M	\$800 M
	Army Corps of Engineers	\$4.6 B	\$4.6 B
	Brownfields	\$100 M	\$100 M
Technology	Broadband	\$6 B	\$9 B
	DTV Transition	\$650 M	0
Education and Job Training	No Child Left Behind/Title I	\$13 B	\$13 B
	Individuals with Disabilities Education Act	\$13 B	\$13.5 B
	School Improvement	\$14 B	\$17 B
	Workforce Investment Act	\$4 B	\$3.25 B
	Unemployment Insurance	\$43 B	\$43 B
Food Stamps	State Nutrition Assistance Programs	\$20 B	\$16.5 B
Health Programs	FMAP	\$87 B	\$87 B
	COBRA/Medicaid for Unemployed Individuals	\$39 B	\$25 B
Community Development	CDBG Neighborhood Stabilization Program	\$4.2 B ³	\$2.25 B
	CDBG Formula Funding for Grants for Cities and States	\$1 B	\$0
	HOME	\$1.5 B	\$2.25 B
	Homeless Assistance Grants	\$1.5 B	\$1.5 B
	Section 8 Project-Based	\$2.5 B	\$3.5 B
	Public Housing Capital Fund	\$5 B ⁴	\$5 B ⁵
	Self-Help and Assisted Homeownership Program	\$10 M	\$0
	Lead Paint Remediation Grants	\$100 M	\$100 M
	Rural Housing Fund	\$500 M	\$200 M
Public Safety and Homeland Security⁶	Byrne Justice Assistance Grants	\$3 B	\$1.94 B
	Community Oriented Policing Services (COPS) ⁷	\$1 B	\$1 B

	Violence Against Women Act (VAWA)	\$0	\$300 M
	Rural Drug Enforcement Assistance	\$0	\$150 M
	Southwest Border Law Enforcement Assistance	\$0	\$100 M
	Internet Crimes Against Children Grants	\$0	\$50 M
	S&L Infrastructure Resiliency & Emergency Operations	\$0	\$950 M
	Alteration of Bridges (Navigable Waterways)	\$0	\$240 M
	Firefighter Assistance Grants	\$0	\$500 M

¹ The Senate bill designates \$2.1 B of this money for formula block grants and \$2.1 B for competitive grants to states or local jurisdictions that have adopted the 2009 International Energy Conservation Code.

² For the Clean Water and Drinking Water SRFs, the House bill sets aside 50 percent of the allocated funding for additional subsidization, including forgiveness of principle, negative interest loans and grants to municipalities. The Senate bill allows for principle forgiveness and negative interest loans, but does not specify grants and does not mention a percentage of allocated funding.

³ This amount includes a \$750 M set-aside for non-profits to assist NSP grant recipients build capacity and expedite use of NSP funds. The House and Senate bills also change NSP funds from formula grants to competitive grants.

⁴ \$4 B would be allocated to Public Housing Agencies and \$1 B would be competitively awarded to improve energy efficiency in public and assisted housing.

⁵ \$3 B would be allocated to Public Housing Agencies and \$2 B would be competitively awarded to improve energy efficiency in public and assisted housing.

⁶ The Senate Bill includes a provision to provide additional access to the disaster assistance direct loan program for communities. These are subsidized and direct loans to communities. Under the provision, communities whose local economies were significantly impacted by a Presidentially declared disaster in 2008 will be able to apply for loans up to 50 percent of their pre-storm revenue instead of being capped at \$5 M

⁷ The House Rules Committee waived the local matching requirements and the salary caps for the COPS hiring program in FY 09 & FY 10

COMPARISON OF TAX PROVISIONS IN HOUSE AND SENATE ECONOMIC RECOVERY BILLS
NATIONAL LEAGUE OF CITIES
January 30, 2009

KEY PROVISIONS	HOUSE	SENATE
RECOVERY FOR STATE AND LOCAL GOVERNMENTS		
A. Deductions for Investment in Municipal Bonds	De Minimus Safe Harbor Exception: Financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to the institution's investment in bonds. The bill would exclude investments in tax-exempt municipal bonds in 2009 and 2010 if the amount invested is less than 2% of the institution's investment. Cost: See next proposal	Same as House.
B. Minimum Amount for Small Issuers of Tax-Exempt Bonds	Modification of Small Issuer Exception Rule: Under current law, state, local governments and others that issue tax-exempt bonds that are not expected to exceed \$10 million in obligations are not taxable. The bill would increase the dollar threshold to \$30 million. Estimated Cost for both proposals is \$3.2 billion over 10 years.	Same as House.
C. State and Local Governments Tax-Exempt Bonds	Exclude Tax-Exempt Private Activity Bonds From the AMT: Under current law, interest on tax exempt private activity bonds is generally subject to the alternative minimum tax. This limits the marketability of these bonds and forces state and local governments to issue these bonds at higher interest rates. The bill would exclude tax-exempt private activity bonds from the AMT. Estimated Cost: \$481 million over 10 years.	Same as House.
D. New School Construction Bond	Qualified School Construction Bond: Creates a new category of tax credit bonds to assist state and local governments with the construction, rehabilitation, or repair of public schools or the acquisition of land to build public schools. House bill sets a national limit of \$22 billion on the amount of qualified school construction bonds that may be issued in 2009 and 2010. Estimated Cost: \$9.877 billion over 10 years.	Similar to House bill but sets a national limit of \$10 billion on the amount of qualified school construction bonds that may be issued in 2009 and 2010. Estimate Cost: \$4.5 billion over 10 years

**COMPARISON OF TAX PROVISIONS IN HOUSE AND SENATE ECONOMIC RECOVERY BILLS
NATIONAL LEAGUE OF CITIES
January 30, 2009**

KEY PROVISIONS	HOUSE	SENATE
RECOVERY FOR STATE AND LOCAL GOVERNMENTS (Continued)		
E. Tax Credit Bond Option	<p>Tax Credit Bond Option for State and Local Governments: The bill would provide state and local governments the option of issuing a tax-credit bond instead of a tax-exempt governmental obligation bond. Because the market for tax credits is still small, given current economic conditions, the bill would allow state and local governments to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered for the Federal tax credit for bonds issued in 2009 and 2010.</p> <p>Estimated Cost: \$18.270 billion over 10 years.</p>	<p>Similar language for Build America Bonds.</p> <p>Estimated Cost: \$6.8 billion over 10 years.</p>
F. Three Percent (3%) Withholding Requirement	<p>Repeal 3% Withholding on Government Contractors: Under current law state and local governments, starting in 2011, would be required to withhold 3% of any payments made to contractors providing property or services if such contractors receive federal funds. The Conference favors repeal of this requirement because it is a very costly mandate that forces state and local governments to become Federal tax collectors.</p> <p>Estimated Cost: \$10.946 billion over 10 years.</p>	<p>Would not repeal but delay implementation of requirement for one year, until 2012.</p> <p>Estimated Cost: \$291 million over 10 years.</p>
G. Qualified Zone Academy Bonds	<p>Extension and Increase in Authorization for Qualified Zone Academy Bonds: The bill would allow an additional \$1.4 billion of QZAB issuing authority to state and local governments in 2009 and 2010 to help finance the renovation of buildings, equipment purchases, development of course material, and training teachers and personnel at a qualified zone academy.</p> <p>Estimated Cost: \$1.045 billion over 10 years.</p>	Same as House.

COMPARISON OF TAX PROVISIONS IN HOUSE AND SENATE ECONOMIC RECOVERY BILLS
NATIONAL LEAGUE OF CITIES
January 30, 2009

KEY PROVISIONS	HOUSE	SENATE
RECOVERY FOR INDIVIDUALS		
A. Refundable Tax Credit Making Work Pay Tax	Credit: Would create a \$500 refundable tax credit for individuals with annual earnings of \$75,000 and \$1,000 for couples with annual earnings of \$150,000. Refunds would be done immediately through reductions in the payroll tax. Estimated Cost: \$192 billion over 10 years.	Same as House.
B. Earned Income Tax Credit	Increase EITC from 40% of family's first \$12,570 in earnings to 45% of first \$12,570. Estimated Cost: \$4.633 billion over 10 years.	Same as House.
C. Child Tax Credit	Increase the Child Tax Credit by removing the floor for 2009 and 2010. Under current law the credit applies to 15% of income in excess of \$8,500. The change would apply the 15% to all income. Estimated Cost: \$18.272 billion over 10 years.	Same as House.
D. Education Tax Credit	"American Opportunity" Education Tax Credit: Would create a new tax credit to assist individuals seeing a college education. For 2008 and 2009, the bill would provide up to \$2,500 of the cost of the cost of tuition and related expenses. Estimated Cost: \$13.707 billion.	Same as House.
E. Housing Tax Credit	Refundable First-time Home Buyer Credit: Would eliminate a repayment requirement for taxpayers receiving a \$7,500 first-time home-buyers tax credit for those purchasing their homes after January 1, 2009. Estimated Cost: \$2.6 billion.	Same as House.

COMPARISON OF TAX PROVISIONS IN HOUSE AND SENATE ECONOMIC RECOVERY BILLS
NATIONAL LEAGUE OF CITIES
January 30, 2009

KEY PROVISIONS	HOUSE	SENATE
<i>REINVESTMENT IN RENEWABLE ENERGY</i>		
A. Clean Renewable Energy Bonds	<p>Clean Renewable Energy Bonds: The bill authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from various sources including wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities. Funds would be subdivided: 1/3 to qualifying projects of state and local governments; 1/3 to qualifying projects of public power providers; and 1/3 to qualifying projects of electric cooperatives.</p> <p>Estimated Cost: \$578 million over 10 years.</p>	Same as House.
B. Conservation Bonds	<p>Conservation Bonds: The proposal would authorize an additional \$2.4 billion of qualified energy conservation bonds to finance state/municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. It would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs.</p> <p>Estimated Cost: \$803 million over 10 years.</p>	Same as House.
C. Long-Term Extension and Modification of Renewable Energy Production Tax Credit	<p>Long-term Extension and Modification of Renewable Energy Production Tax Credit: The bill would extend the placed-in-service date for wind facilities for 3 years (through December 31, 2012). It would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities including: hydropower, landfill gas, and waste to energy.</p> <p>Estimated Cost: \$13.143 billion over 10 years.</p>	Same as House.

COMPARISON OF TAX PROVISIONS IN HOUSE AND SENATE ECONOMIC RECOVERY BILLS
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KEY PROVISIONS	HOUSE	SENATE
RECOVERY ZONES		
A. Recovery Zone Bonds	<p>Recovery Zone bonds: The bill would create a new category of tax credit bonds for investment in economic recovery zones. It would authorize \$10 billion in recovery zone economic development bonds and \$15 billion in recovery zone facility bonds which could be issued in 2009 and 2010. Each state would receive a share of the allocation of these bonds based on the state's job losses in 2008. The state's allocation would be sub-allocated to local governments. Bonds could be used to invest in infrastructure, job training, education, and economic development in areas that have significant poverty, unemployment or home foreclosures.</p> <p>Estimated Cost: \$5.989 billion over 10 years.</p>	<p>Similar to House but significantly different cost estimate.</p> <p>Estimated Cost: \$4.9 billion over 10 years.</p>
B. New Market Tax Credit	<p>New Markets Tax Credits Program: Tax credits for this program which provides incentives for businesses to locate in economically distressed communities would be increased from \$3.5 billion to \$5 billion for both 2008 and 2009.</p> <p>Estimated Cost: \$1 billion over 10 years.</p>	No similar provision.