

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: February 13, 2009

RE: House Passes Stimulus Bill

The House recently passed the compromised \$787 billion Economic Stimulus bill by a vote of 246-183 (176 Republicans and 7 Democrats voted no). The Senate plans to vote on the bill later today.

While specific information of the final package is still being released, below are some details in the bill.

Transportation Funding

Highway Formula Funding for Florida - \$1.35 billion Total

- DOT Discretion – \$902 million
- Sub-allocated by Population (MPO's/local jurisdictions) – \$404 million
- Transportation Enhancements (bicycle paths, facilities) – \$40 million

Transit Funding for Florida - \$310 million

- Urban Areas – \$272 million
- Rural Areas – \$17 million
- High Growth/Density Formula – \$21 million

Once the bill is enacted, US DOT will have 21 days to apportion the funds. After apportionment, states will have 120 days to obligate the first half of the funds and one year to obligate the remainder.

Cities within MPOs should be working with their MPO's to get on their priority list and cities not within an MPO should be working with their county and local DOT district.

Overview of Bond Provisions

Below is a summary of the tax-exempt bond provisions in the American Recovery and Reinvestment Act.

Important Note: These Provisions Apply Only to Bonds Issued in 2009 and 2010.

- **Increases Bank Qualified Debt Limit to \$30 Million.** The Act increases the small issuer exception to \$30 million from its current \$10 million level. This will allow smaller governments to place their debt directly with community or other banks who in turn can deduct 80% of the purchasing costs for bonds issued in 2009 and 2010.
- **Provides New Incentives for Banks to Purchase all Types of Bonds.** Since 1986, banks have been able to deduct only the carrying costs of bank-qualified bonds. The Act allows banks to deduct 80% of the carrying costs of purchasing all types of newly issued bonds in 2009 and 2010; to the extent investment in the bonds does not exceed 2% of the bank's total assets.
- **Eliminates application of the AMT on private activity and governmental bonds.** The interest on private activity bonds and some governmental bonds is not deductible for individuals and corporations, who must pay the alternative minimum tax (AMT). The Act eliminates the application of the AMT on all bonds issued in 2009 and 2010, including refunding of bonds that were initially issued after 2003.
- **New Taxable Bond Option (Build America Bonds).** Under the Act, issuers can elect to issue either taxable tax-credit in lieu of tax-exempt bonds for governmental purposes for bonds issued in 2009 and 2010. The taxable bond option allows issuers to receive a 35% reimbursement of interest paid from the federal government or provide a 35% tax credit to investors. All of the tax laws applicable to tax-exempt bonds apply to the taxable tax-credit governmental bonds.
- **New "Recovery Zone Bonds".** A new category of tax-exempt private activity bonds has been created for use in "recovery zones," which are designated areas with significant unemployment, poverty and home foreclosure rates. \$15 billion in private activity Recovery Zone Facility Bonds would be allocated based on a proportion of a

jurisdiction's unemployment rate versus that of the nation's. The bonds need to be issued by January 1, 2011. The legislation also authorizes \$10 billion in taxable bonds, Recovery Zone Economic Development Bonds, to be used to promote economic development in a Recovery Zone, and the state or local government would receive a 45% reimbursement of interest paid, with no option to apply the credit to investors.

- **Creates New Tax Credit Bonds: Qualified School Construction Bonds.** These tax credit bonds may be used to finance new construction, rehabilitation or repair of public school facilities. The Act authorizes \$11 billion annually for 2009 and 2010. 40% of the allocation is dedicated to large school districts

Attached is a chart with funding allocations for other programs in the stimulus bill. The League will provide more information as it becomes available.

The Florida League of Cities and the Florida Association of Counties recently met with the Governor's office to insure that their office and our associations were working together as this stimulus money began to come to the state.

Should you have any questions or require additional information, please contact John Dailey, JDA Strategies (john_dailey@comcast.net) or Allison Payne at the League at 850-701-3602 or e-mail: apayne@flcities.com.

To access this and other information on the stimulus plan, please also visit the League's website at www.flcities.com/legislative/economicstimulus.asp.

Attachment

Program	House				Senate				Conference
	Funding Level	Maintenance of Effort	Match Required	Obligation Period Req.	Funding Level	Maintenance of Effort	Match Required	Obligation Period Req.	Funding Level
TANF	\$2.5 B	* see eligibility rules on page 2	*	*	\$3 B	*	*	*	
Medicaid Cost Sharing	\$87 B								
State Fiscal Stabilization Fund	\$79 B				\$39 B				\$54 B
Food Stamps	\$20.7 B				\$11.5 B				\$15.1 B
Bond Tax Credit	\$42 B								
Rural Waste	\$1.5 B				\$1.4 B				\$1.4B
Economic Development (EDA)	\$250 M				\$150 M				
Broadband Grants	\$2.8 B				\$0				
Advanced Broadband	\$2.8 B (+ \$3.3 B for FCC)				\$6.65 B		20% match on grant funding		\$4.35 B
Public Safety									
<i>Byrne/JAG</i>	\$3 B		formula-30 days; competitive - 90 days		\$1 B			within 60 days of enactment	\$3 B
<i>COPS</i>	\$1 B		waives local matching requirement and salary cap	120-day time limit	\$1 B		waives local matching requirement and salary cap		\$1 B
<i>VAWA</i>	\$0				\$300 M				
<i>DHS Fire Asst. (construction)</i>	\$0				\$500 M				\$ 210 M
FEMA	\$200 M				\$1.5 B		no		
Energy									
<i>Weatherization</i>	\$6.2 B				\$2.9 B				\$5 B
<i>St/Loc</i>	\$6.9 B				\$4.7 B				\$6.3 B
<i>St/Loc Vehs</i>	\$400 M				\$350 M				\$300 M
Environment									
<i>Superfd</i>	\$800 M				\$600 M				\$700M
<i>LUST</i>	\$200 M				\$200 M		no		\$200 M
<i>St Asst Grants</i>	\$8.4 B				\$6.4 B				\$6 B
Human Capital									
<i>Emply & Tr</i>	\$4 B				\$3.2 B				
<i>Older Ams</i>	\$120 M				\$120 M				
<i>Comm Hlth</i>	\$1.5 B				\$1.87 B				\$2 B
<i>LIHEAP</i>	\$1 B				\$0				\$0
<i>ChildCareGrts</i>	\$2 B				\$2 B				\$2 B
<i>SSBG</i>	\$0				\$400 M				
<i>Children & Fam</i>	\$1.1 B				\$200 M				\$2.1 B

Education	\$15 B for competitive grants: recipients must maintain FY2006 spending levels			If not obligated in 1 year, returned to DOE				
<i>Head Start</i>								\$1 B
<i>Early Head Start</i>								\$1.1 B
<i>Title I</i>								\$13 B
<i>For Disadvantr</i>	\$11 B				\$10.4 B			\$10 B
<i>DisadSchoolGrts</i>	\$2 B				\$2 B			
<i>EducTech</i>	\$1 B				\$1 B			\$0 *
<i>K-12 Constr</i>	\$14 B				\$0			
<i>Special Ed</i>	\$13.08 B				\$13 B			\$11.7 B
<i>Pell Grts</i>	\$15.6 B				\$13.8 B			\$15.6 B
Transportation								
<i>Airports</i>	\$3 B	yes		50% in 90days	\$1.1 B		no	\$1.1 B
<i>Highways</i>	\$30 B	yes	no	50% in 90 days	\$27 B		no	50% in 180 days \$29 B
<i>HighSpd Rail</i>	\$0	yes	no		\$2 B		no	\$8 B
<i>Public Transit</i>	\$7.5 B	yes	no	50% in 90 days	\$8.4 B		no	50% in 180 days \$8.4 B
<i>Rail Mod</i>	\$2 B				\$0			\$0
<i>New Starts</i>	\$2.5 B				\$0			\$0
Housing								
<i>CDBG</i>	\$1 B				\$0			\$1 B
<i>Homeless Prev</i>	\$1.5 B				\$1.5 B			75% in 2 yrs, 100% in 3 yrs \$1.5 B
<i>Pub/Asst Housing Ene. Efeciciency</i>	\$2.5 B				\$2.25 B			\$2.25 B
<i>Pub'Asst Housing Capital Needs</i>	\$5 B				\$5 B			\$4 B
<i>Neigh Stabilz</i>	\$4.1 B				\$0			75% in 2 yrs, 100% in 3 yrs \$2 B
<i>HOME</i>	\$1.5 B				\$2.25 B			60% in 2 yrs, 100% in 3 yrs \$2.25 B
<i>Lead Paint</i>	\$100 M				\$100 M			\$100 M

* **Eligibility Rules for TANF:** "Elibility for payments from the fund will be triggered if the state's caseload data or expenditures, respectively, for a given quarter exceed those for the corresponding quarter in the emergency fund base year. The emergency fund base year is defined as the year, either 2007 or 2008, when the state's cash assistance caseload or expenditure data were the lowest..."

Translation: We want to give money to states or localities that have more than the usual number of cases (case overload) to distribute to their residents in need of TANF.

"... In each case, the actual quarterly grant would be for 80% of the total increase in program spending relative to the base year..."

Translation: If you, the city, cover 20% of your unexpected costs from more people in need of TANF assistance, then we will cover up to 80%.

"...The total amount dibursed from the emergency fund, in combination with exiting contingency dollars, cannot exceed 25% of a state's block grant for the year."

Translation: If your locality received a \$10 million block grant from the federal government this year for TANF, then you cannot receive more than \$2.5 million from the emergency fund for TANF this year

COBRA for the unemployed - 60% subsidy for 9 months								
<i>Clean Renew Energy Bonds</i>	\$.5 B				\$.5 B			\$.5 B
<i>Energy Conserv Bonds</i>	\$.8 B				\$.8 B			\$.8 B
<i>Reduced bond issuance costs</i>	\$4 B				\$4 B			\$4B
<i>Qual Sch Constr Bonds</i>	\$10 B				\$5 B			\$10 B
<i>Taxable Muni Bond Option</i>	\$ 33B				\$4.4 B	only for 2009/10		\$4.3 B
<i>3% Withholding</i>	\$11 B	permanent			\$291 M	one year delay		\$291 M