
The American Recovery and Reinvestment Plan –

Investments in Business & Infrastructure

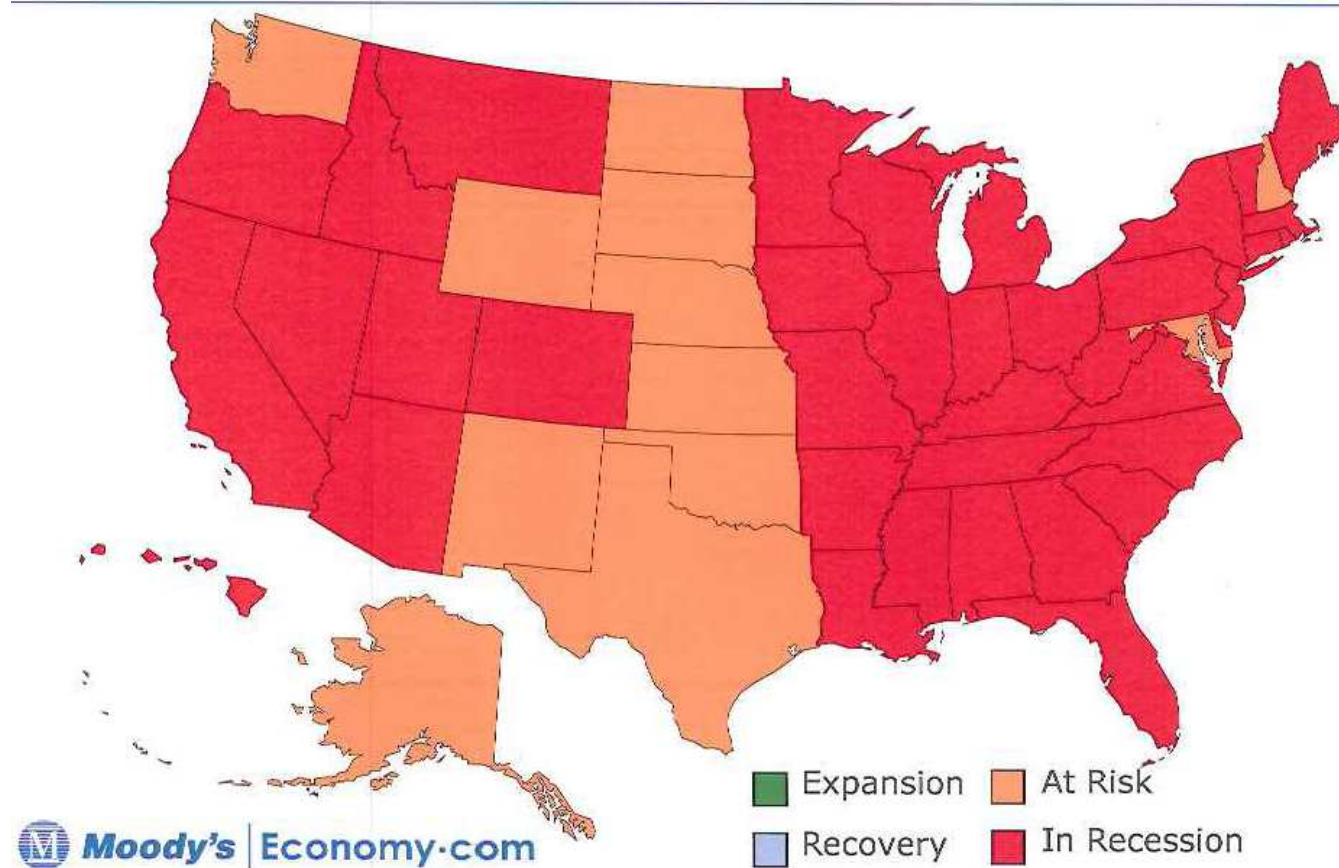
Gabrielle Giffords

U.S. Representative

February 2009



The Majority of States are in Recession



Moody's assessment is based on four key indicators used by the National Bureau of Economic Research: employment, industrial production, retail sales adjusted for inflation and income to develop a composite indicator. A state is considered to be in recession if that indicator falls for six months or longer. An area is "at risk" if it has declined for three months.

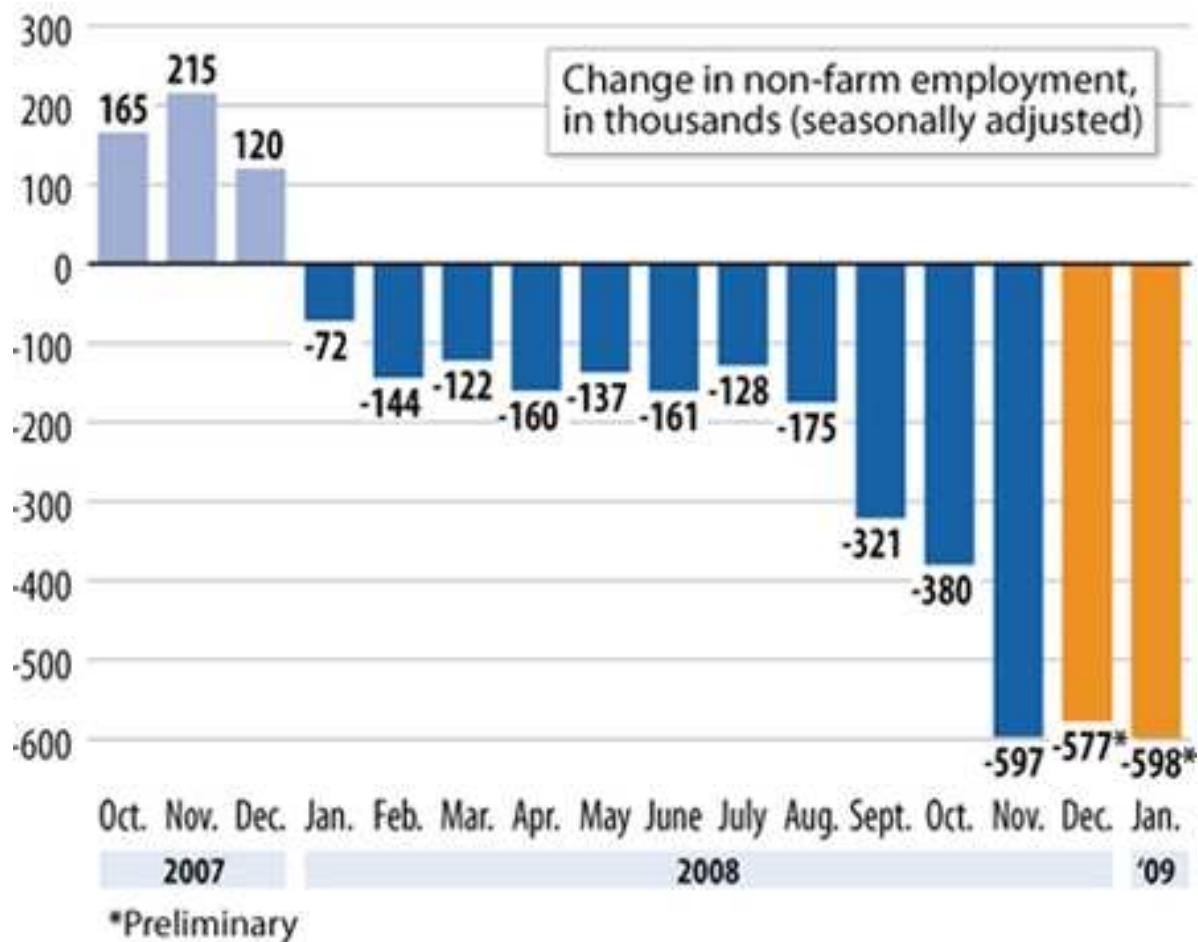


U.S. Economic Indicators

- **JOB LOSSES:** 598,000 in January. Total job loss since the recession began in December 2007 has climbed to 3.6 million, the largest 13-month job loss on record.
- **UNEMPLOYMENT & PART-TIME WORK:** 7.6% in January, the highest level in 16 years. The number of Americans looking for work climbed to 11.6 million in January – the highest number in 26 years.
- **ECONOMY IN RECESSION:** The Gross Domestic Product (GDP) fell 3.8% in the final quarter of 2008. Business investment dropped at a 19% pace, the most since 1975.
- **CONSUMER SPENDING & CONFIDENCE:** Consumer spending fell in December for a record 6th consecutive month. Consumer confidence slid to another all-time low in January.

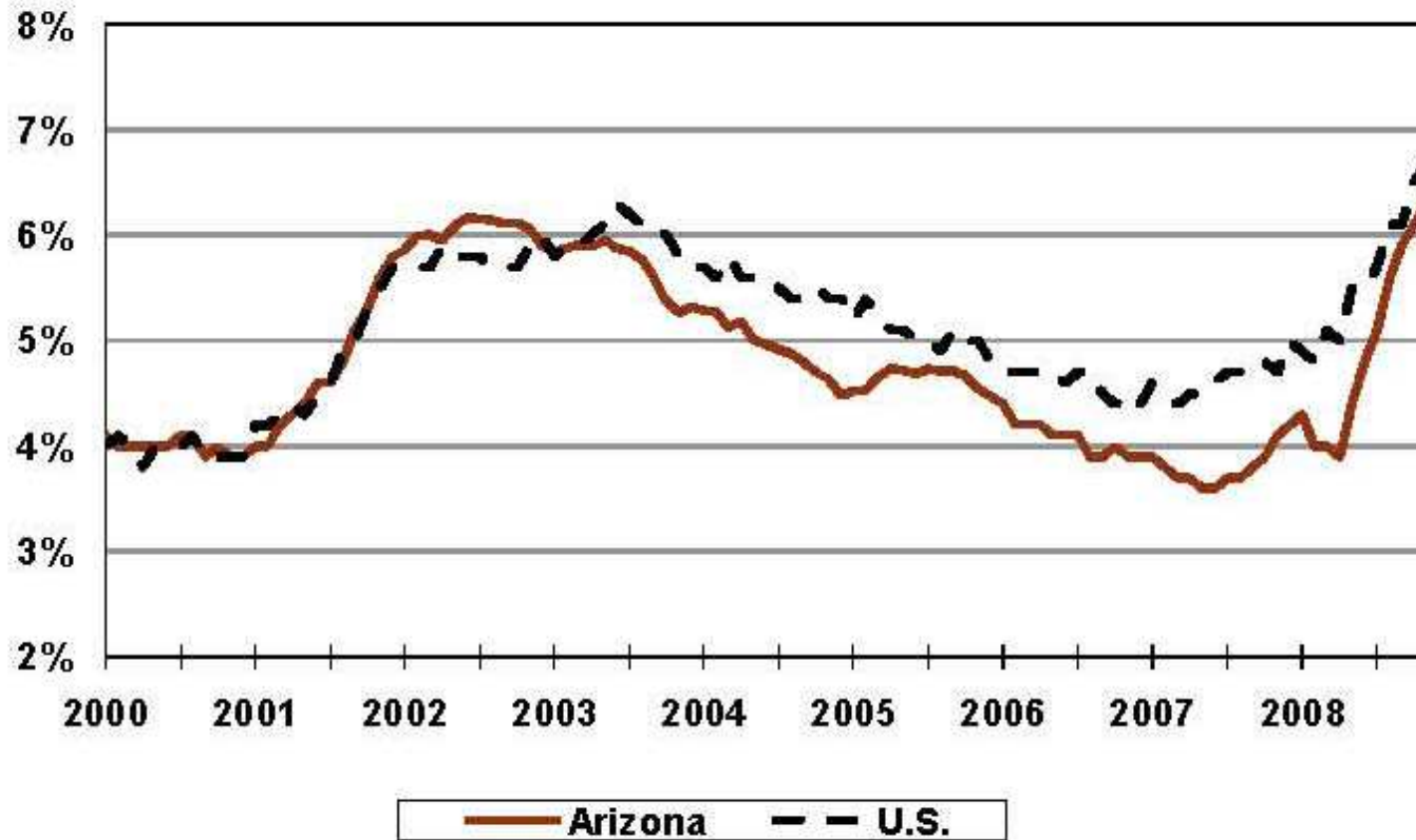


The Economic Downturn – Job Loss Accelerates

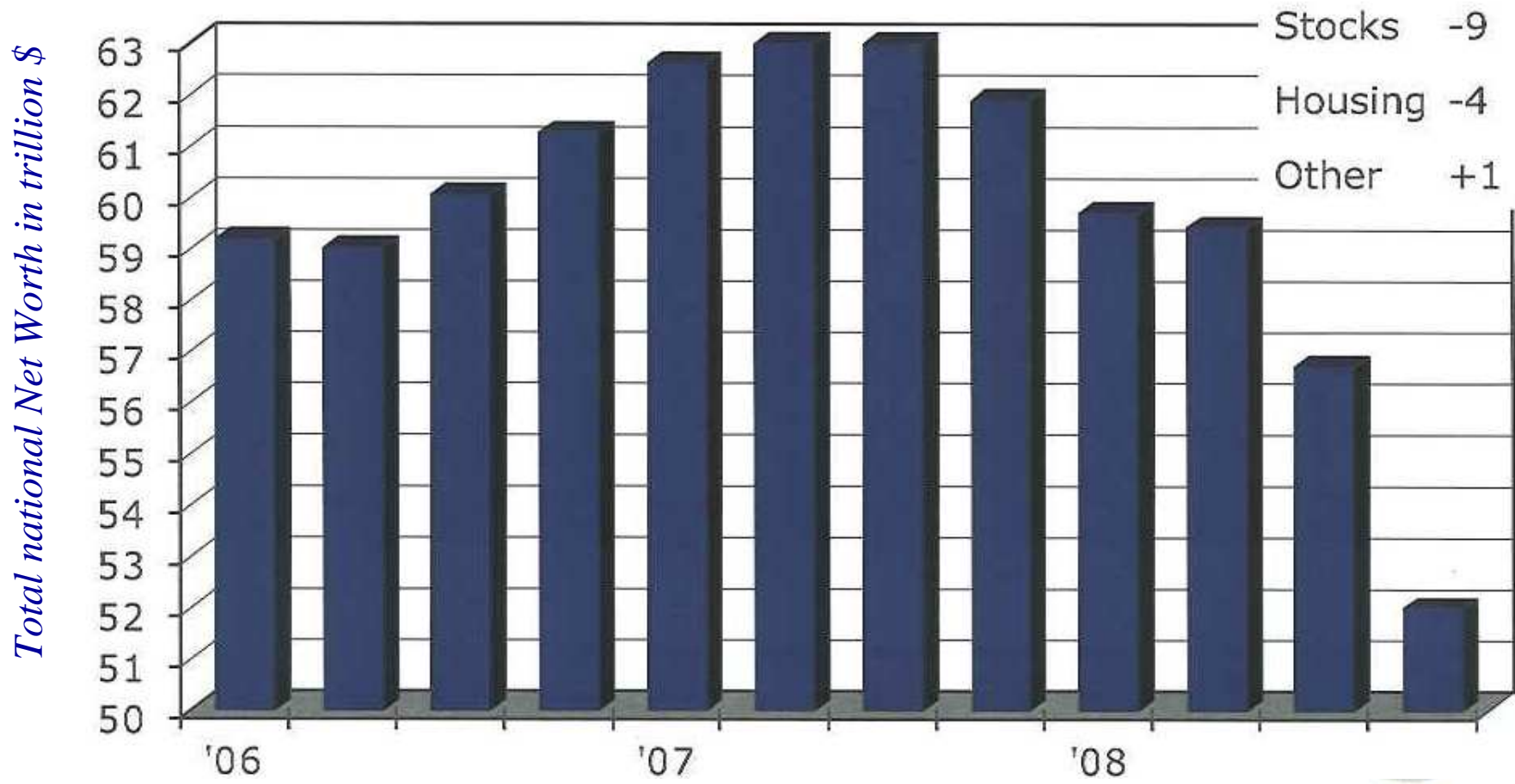


Source: Bureau of Labor Statistics

Arizona & US Seasonally Adjusted Unemployment Rates, Jan. 2000- Nov. 2008



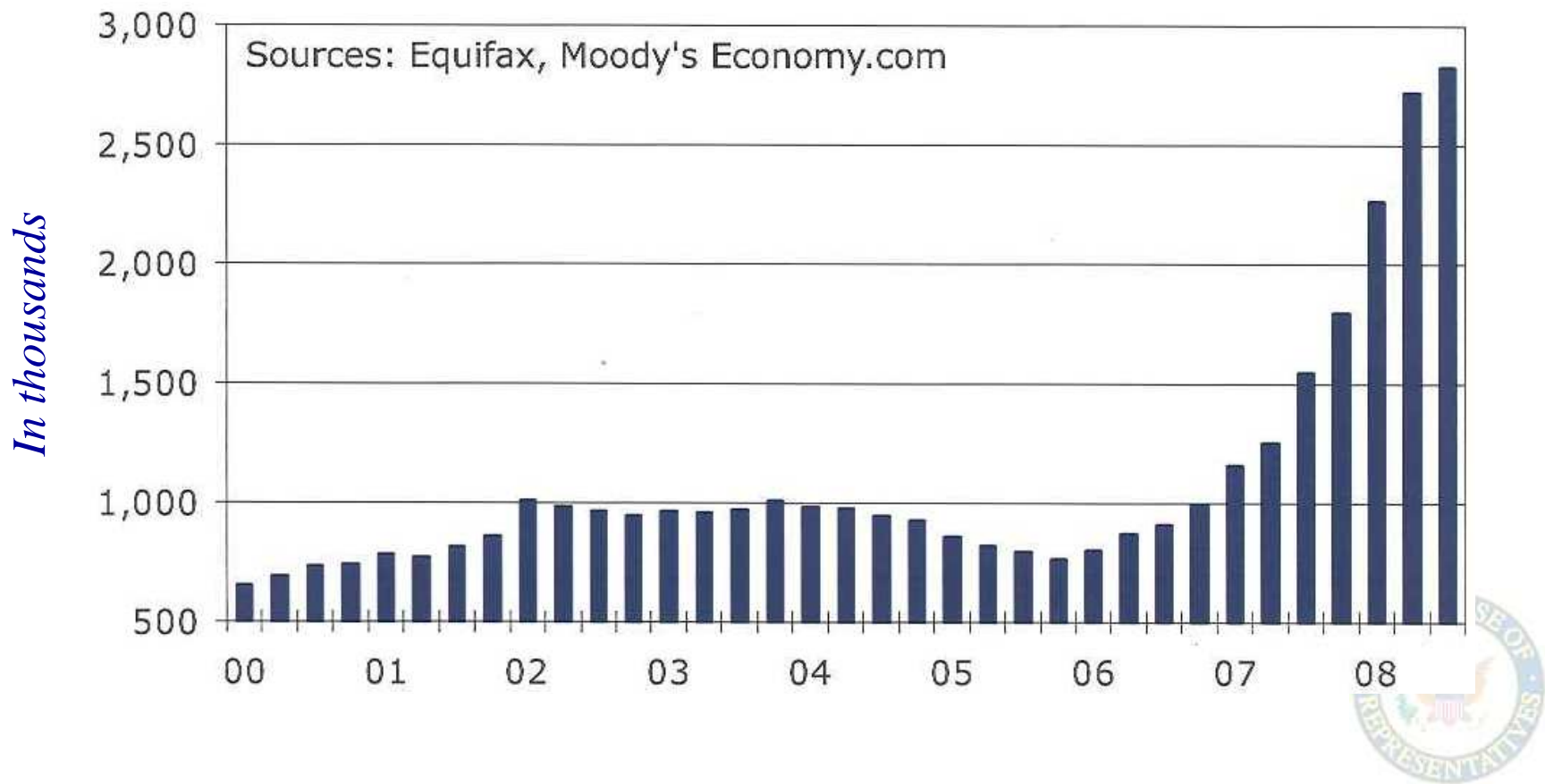
National Household Net Worth is on a Steep Decline



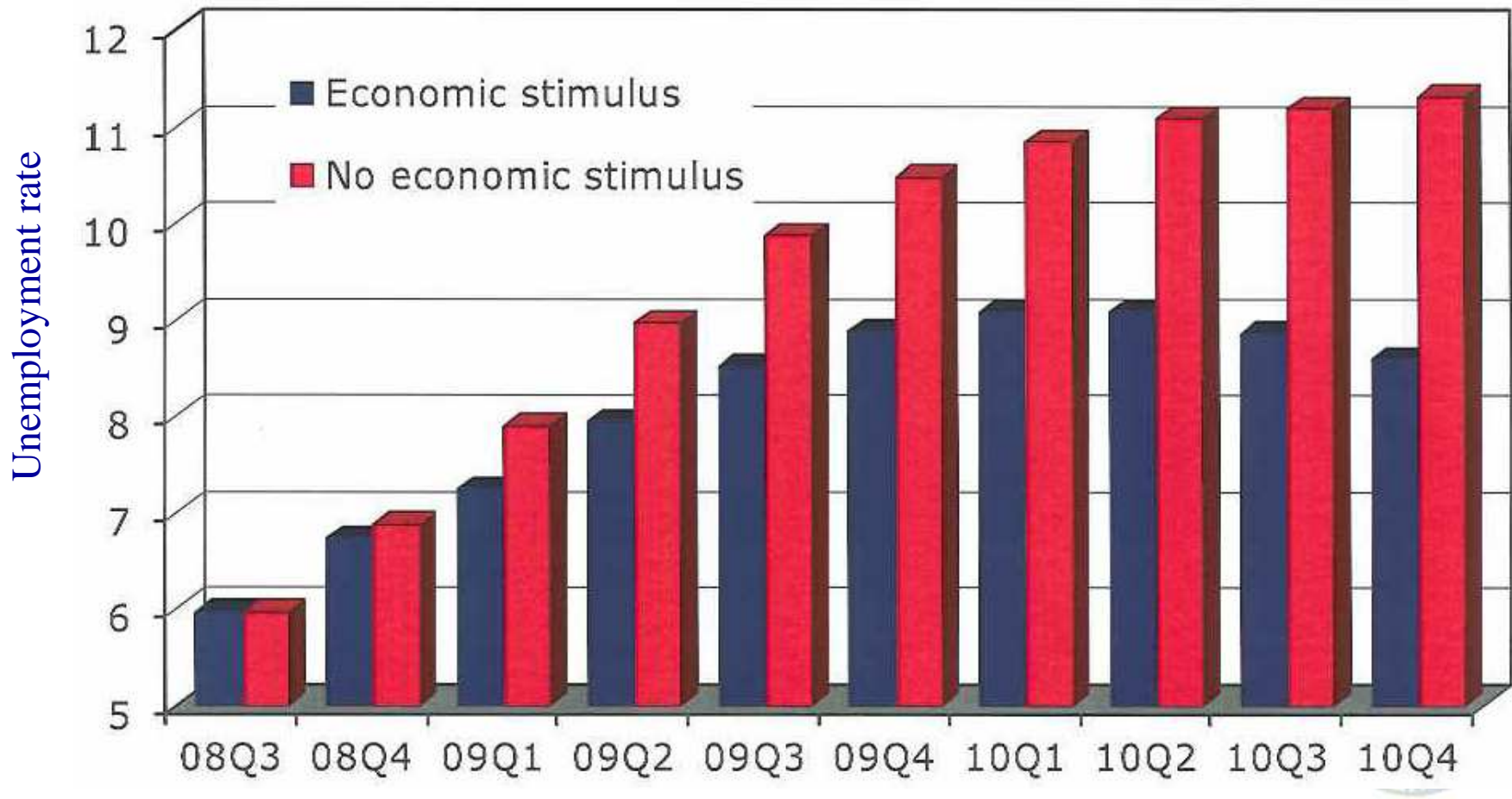
Source: Federal Reserve

Foreclosures continue to rise nationally

First mortgage loan defaults



Evaluating the Impact of Economic Stimulus Legislation on Unemployment



Source: Moody's Economy.com

Arizona - Economic Indicators

Arizona ranks third in the nation for foreclosures—after Nevada and Florida.

- 1 in every 198 homes in Arizona received a foreclosure notice in November 2008. In 2008, there were 8,961 foreclosures in Pima County.

Since the beginning of 2008, Arizona lost 65,700 jobs - an average of 6,600 jobs per month.

The unemployment rate in Arizona now stands at 6.1 percent, up 4.2 percent in 2008.



Arizona – Education

- **Class Size** - In 2000, the state’s average elementary class size was 24.5 students, while the U.S. average was 21.2.
- **Advanced Placement** - In 2003, Arizona ranked 35th in the number of advanced placement test takers and 32nd in test scores.
- **Teacher Backgrounds** - In 2000, Arizona placed 32nd among 37 rated states on the percentage of teachers with a major in the field being taught (47.4%).

	4 th Grade Math - AZ	4 th Grade Math – US	8 th Grade Math - AZ	8 th Grade Math - US
Below Proficient	30%	24%	39%	33%
Basic	45%	45%	41%	39%
Proficient	23%	23%	18%	22%
Advanced	2%	2%	3%	5%

American Recovery & Reinvestment Act

– Impact for ARIZONA

- Creating or saving 70,000 jobs over the next 2 years – 8,100 in District 8;
- Tax cut of up to \$800 for 2,080,000 workers and their families;
- Making 75,000 families eligible for a new \$2,500 college tax credit;
- Expanding unemployment insurance to 204,000 jobless workers; and
- Providing funding sufficient to modernize at least 193 schools in Arizona.



American Recovery & Reinvestment Act – Impact for ARIZONA

- Education = \$1,262,861,497
- Medicaid = \$1,980,000,000
- Transportation = \$622,520,349
- Energy & Weatherization = \$12,169,447
- Justice programs = \$46,850,617



American Recovery & Reinvestment Act

the need for bold & effective action

Dr. Paul Krugman, Nobel Prize winning economist, New York Times:

“It’s hard to exaggerate how much economic trouble we’re in.”

Dr. Mark Zandi, Chief Economist and Co-founder, Moody’s Economy.com:

“The House stimulus plan will not reverse the current downturn, but it will provide a vital boost to the flagging economy. With the stimulus, there will be 3 million more jobs and the jobless rate will be more than 1.5 percentage points lower by the end of 2010 than without any fiscal stimulus. Without a stimulus, unemployment will rise well into the double digits by this time next year, and the economy will not return to full employment until 2014.”

U.S. Chamber of Commerce:

“The Chamber believes that the tax relief and spending provided in the bill will help to provide stimulus and to get Americans back to work.”

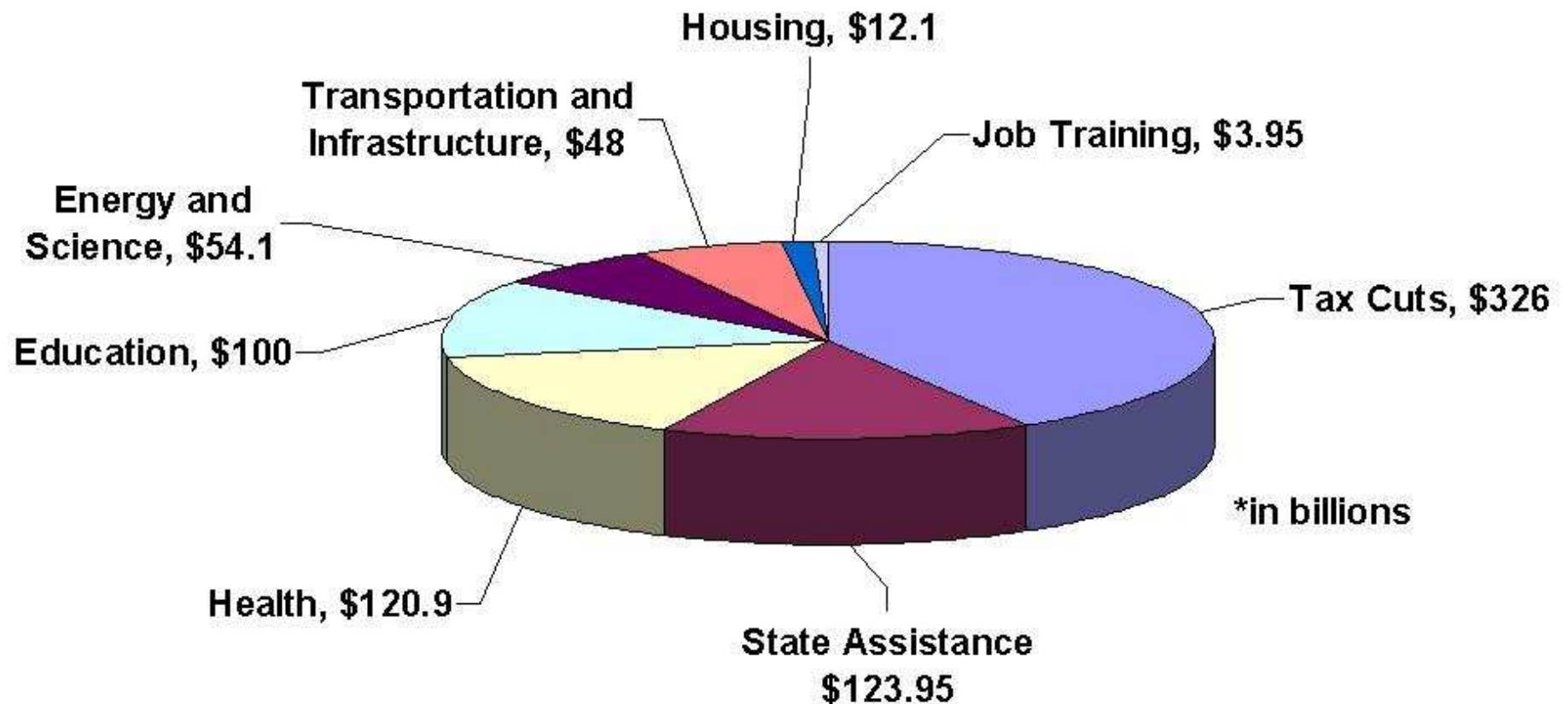


How Much is \$789 Billion?

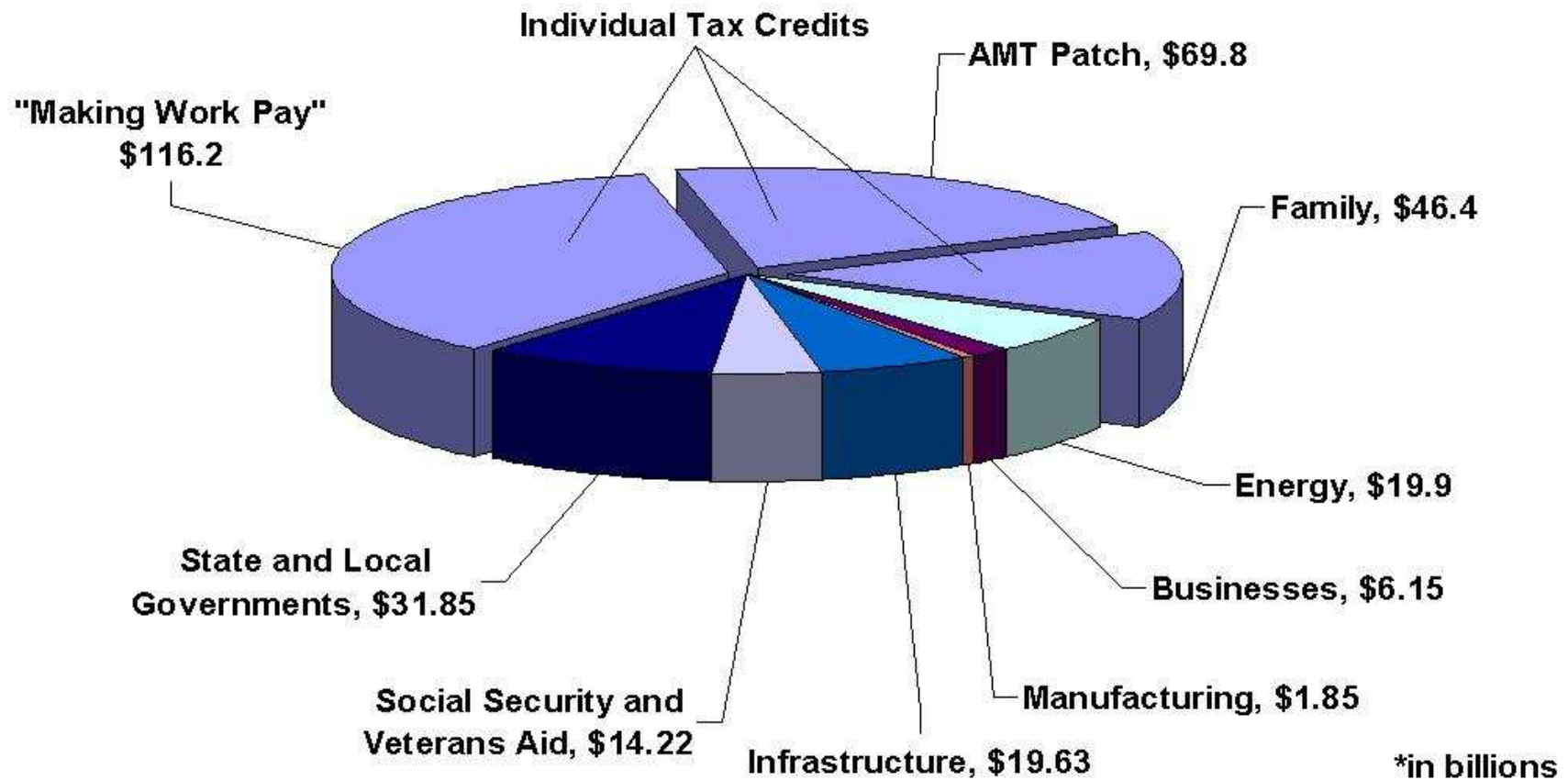
- 5.5% of the \$14.3 trillion U.S. economy (GDP)
- 27% of the \$2.979 trillion in total fiscal year 2008 federal government spending
- 39% of the \$2 trillion spent so far stabilizing the financial sector (9% of commitments, \$8.8 trillion)
- 1.3 times the cost of the Iraq war, approximately \$595 billion
- Comparison with Roosevelt's New Deals
 - 1st New Deal = 5.9% GDP, \$3.3 billion (1933)
 - 2nd New Deal = 6.7% GDP, \$4.8 billion (1935)



American Recovery & Reinvestment Act – Breakdown of Funding



Tax Provisions – \$326 Billion over 10 years



Tax Provisions – Business

- Extends the 50% bonus depreciation allowance for 1 year;
- Allows for a five-year “carryback” of net operating losses to offset income;
- Cuts capital gains tax for small business investors;
- Extends increased small business expensing;
- Delays the tax on businesses that have discharged indebtedness;
- Adds tax credits for hiring recently discharged unemployed veterans and youth.



Tax Provisions - Energy

- \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years;
- Grants of up to 30 percent of the cost of building a new renewable energy facility in lieu of the ITC;
- Renewable Energy Manufacturing tax credit equal to 30% of the new investments in plants or machinery; and
- Three-year extension of the production tax credit (PTC).



Tax Provisions – Real Estate

- Extends and expands tax credits for energy-efficient investments in homes through 2010 such as furnaces, energy-efficient windows and doors, or insulation.



- Modifies the refundable first-time home buyer credit of up to \$8,000 by eliminating the repayment obligation for purchases after Jan. 1, 2009.



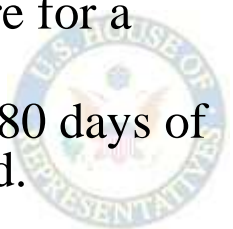
Infrastructure Investments (nationwide)

- Modernize Roads & Bridges:
\$28 billion, \$521,958,401 in AZ;
- Improving Public Transit
& Rail: \$16.4 billion, \$100,561,948 in AZ;
- Clean Water / Flood Control / Environmental
Restoration: \$19 billion, \$26,880,600 in AZ; and
- Modernizing Public Infrastructure, Energy Cost
Saving: \$4.2 billion for Defense facilities, \$4.5
billion for federal energy-efficiency improvements.



Infrastructure Investments – Federal Highway Administration

- \$27.5 billion for highway projects under the Federal Highway Administration (FHWA).
 - \$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.
 - Remaining amounts would be distributed to states and territories through the Transportation Department's FY 2008 formula.
- Shovel Ready projects are prioritized if they are:
 - able to be awarded within 120 days of enactment,
 - included in approved state or metropolitan plans,
 - projected to be completed in a two-year time frame, and
 - located in economically-distressed areas.
- Local Share: the measure allows states to opt to have the federal share for a project set at 100% of the total cost of the project.
- Timing Requirement: Over 50% of funds must be obligated within 180 days of distribution to the states or the funds will be revoked and redistributed.



Healthcare Infrastructure & Research

\$19 billion to accelerate adoption of **Health Information Technology** systems by doctors and hospitals:

- modernize the health care system,
- save approximately \$12 billion dollars, and
- reduce medical errors, protect privacy and improve quality.
- The Congressional Budget Office estimates that **90% of doctors and 70% of hospitals** will adopt and use certified electronic health records within the next decade.

\$10 billion for the **National Institute of Health** for research and facilities.



Administration of the Stimulus

Federal agencies will allocate these funds in five primary ways:

- 1. *Formulas.*** Certain funds in the Act are allocated by a formula – usually set in law -- to States and localities. Examples include:
 - Medicaid (Federal Medicaid Assistance Percentage payments)
 - State Fiscal Stabilization Fund
 - Highway Infrastructure Investment
- 2. *Competitive Solicitations – www.grants.gov.*** In the coming weeks, agencies will distribute requests for proposals and convene panels to evaluate applications. Examples of agencies and programs that have or will hold such competitions include:
 - National Institutes of Health
 - National Science Foundation
 - Broadband program



Administration of the Stimulus

3. ***By Demand.*** Some programs respond directly to demand from eligible individuals, including:
 - Premium Subsidies for COBRA Continuation Coverage
 - Unemployment Insurance
 - Education Pell Grants
 - Food Stamps
 - Small Business Loans

4. ***By One-Time Automatic Disbursement.*** The Recovery act includes some one time benefits, such as payments of \$250 to Social Security, Veterans and Supplemental Security Income beneficiaries.

5. ***By Agency Plan.*** Many programs in the Act allocate funding according to public operating and spending plans. These programs include:
 - Environmental cleanup of nuclear waste sites
 - National Parks construction
 - Defense and Veterans infrastructure programs



Transparency & Oversight

The *American Recovery and Reinvestment Act* contains numerous transparency and accountability provisions to ensure that the expenditure of taxpayer dollars can be closely monitored.

- www.recovery.gov will be a dedicated site for citizens to track every penny and hold federal, state, and local officials accountable for performance;
- Quarterly Presidential reports on the results for the American economy;
- Requirement that states use the money for its intended purpose;
- Publishing an online, public notification of contracts and grants awarded, and a description of the investment funded, the purpose, and the total cost;
- A review of recovery funding by the nonpartisan Government Accountability Office; and
- No earmarks



Summary

Arizonans need to maximize our opportunities by working collaboratively and across party lines at the local, state, and federal level.

Check my website www.giffords.house.gov for up-to-date information on the American Recovery & Reinvestment Act

