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CONGRESS SET TO CLEAR STIMULUS PACKAGE

Both the House and Senate plan to vote on the \$789 billion “American Recovery and Reinvestment Act” (H.R. 1) today, with the measure expected to reach the White House by Monday. Approximately 35% of the bill is dedicated to tax cuts, split about evenly between incentives for business and individuals. The rest is spending, ranging from expanded unemployment benefits to funding for public transit and broadband Internet access in underserved communities, among other areas.

Democrats say the measure will create 3.5 million jobs and help the economy recover from the deepening recession. Meanwhile, Republicans in both chambers have criticized the measure for weeks, arguing it is a “bloated spending bonanza” made up of Democratic priorities that raises the federal deficit while doing little to turn around the economy. In the end, the final compromise was possible only after three moderate Republican senators – Arlen Specter of Pennsylvania and Olympia Snowe and Susan Collins of Maine – agreed to support the measure after its total cost was trimmed down to under \$800 billion.

As outlined below, the final package contains a number of positive provisions for higher education, research, and healthcare. Please note, however, that many of the operational details, such as the distribution mechanisms by various agencies, still need to be finalized.

SCIENCE AND TECHNOLOGY.

With respect to science and research, the conference agreement includes:

- \$3.0 billion for the National Science Foundation (NSF);
- \$10.4 billion for the National Institutes of Health (NIH), including a \$400 million transfer from the Agency for Healthcare Research and Quality (AHRQ), \$8.2 billion appropriated to the Office of the Director, with \$7.4 billion designated for transfer to Institutes, Centers, and Common Fund, and \$800 million retained in the OD;
 - \$1.3 billion for the National Center for Research Resources (NCRR), with \$1 billion for “competitive awards for the construction and renovation of extramural research facilities” and \$300 million for “shared instrumentation and other capital equipment.”
- \$2.0 billion for research at the Department of Energy (DOE), including \$1.6 billion for Science and \$400 million for Advanced Research Project Agency-Energy (ARPA-E);
- \$580 million for the National Institute of Standards and Technology (NIST), including \$180 million for a competitive research facilities construction program;

- \$280 million for National Oceanic and Atmospheric Administration (NOAA) research; and,
- \$400 million and \$150 million, respectively, for NASA science and aeronautics programs.

EDUCATION AND PROGRAMS TO SUPPORT STUDENTS.

Programs to assist students and their families also fare well in the final legislative package. The key provisions include:

- A \$500 increase in the Pell maximum;
- A new \$2,500 education tax credit, 40 percent of which would be refundable; and,
- \$200 million for the federal Work-Study program.

STATE FISCAL STABILIZATION FUND AND HIGHER EDUCATION INFRASTRUCTURE.

Two of the most significant issues negotiated in the House-Senate conference negotiations surrounded the fates of the state fiscal stabilization fund as it relates to public higher education and funding for higher education infrastructure renovations and repairs.

Ultimately, the conference report includes a total of \$53.6 billion in new aid to states over the next two years. Of that amount, approximately \$39.5 billion would be sent to the states to restore cuts that have been made to the 2008 or 2009 budgets for elementary, secondary, and public higher education. Nearly \$8.8 billion would be allocated for "other government services."

The bill would enable the federal funds to be used by the states in FY2009, FY2010, and FY2011 rather than just in FY2009 and FY2010, as originally proposed. In addition, rather than limiting the use of funds to restore cuts to FY2008 levels, the language now reads that the states must use the federal resources to bring public higher education back to the higher of either the FY2008 or FY2009 level. When calculating the level of state support for FY2008 and FY2009, the legislation explicitly excludes tuition and fees paid by students. Moreover, for this specific section of the bill, the legislative text defines "fiscal year" as a state fiscal year.

The conference report does not include a separate line item for educational infrastructure. However, as the result of a last-minute change, states can use their stabilization funds for facilities modernization. Moreover, the \$8.8 billion allocated to governors for "critical services," can include funding for education, including modernization of facilities (rather than new construction).

HEALTH FUNDING.

The final package also increases federal support for a number of healthcare initiatives, including:

- \$19 billion to accelerate adoption of Health Information Technology (HIT) systems, including \$2 billion in discretionary funds and \$17 billion for investments and incentives offered through the Medicare and Medicaid programs to help the use of "health IT" in hospitals, doctors' offices and other medical facilities;

- \$86.6 billion over the next two years in additional federal matching funds to help states maintain their Medicaid programs;
- 65% subsidy for COBRA premiums for up to 9 months for qualified individuals;
- \$1 billion for a new Prevention and Wellness Fund to fight preventable diseases and conditions with evidence-based strategies;
- \$1.1 billion for comparative effectiveness research, to help patients and doctors determine the effectiveness of different treatments; and,
- \$500 million to the Health Resources and Services Administration (HRSA) for health professions workforce development, including \$300 million for the National Health Service Corps. and \$200 million for Title VII and Title VIII and for grants to training programs for equipment.

ADDITIONAL RESOURCES.

The conference report for the American Recovery and Reinvestment Act (H.R. 1) is available online: <http://appropriations.house.gov/> or <http://www.rules.house.gov/>.

Inside Higher Education, *The Final Stimulus Bill*, including a matrix comparing funding provisions of the House, Senate and final bills is available at: <http://www.insidehighered.com/news/2009/02/13/stimulus>

An interesting visual representation of the Stimulus: www.washingtonpost.com/wp-dyn/content/graphic/2009/02/01/GR2009020100154.html

Finally, please feel free to contact the Office of Federal Affairs if you have specific questions about the Stimulus package (karenregan@unc.edu or 843.0050).

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