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The Government Affairs Group at Murtha Cullina LLP is pleased to provide information about current topics of interest.

David J. McQuade*
860.240.6141
dmcquade@murthalaw.com

Janemarie W. Murphy*
860.240.6143
jmurphy@murthalaw.com

Michael J. Martone*
860.240.6109
mmartone@murthalaw.com

Kylene A. Fredrick*
860.240.6040
kfredrick@murthalaw.com

Jason K. Crisco*
860.240.6185
jcrisco@murthalaw.com

* Not an Attorney

SUMMARY OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 WITH FUNDING LEVELS FOR CONNECTICUT AND MASSACHUSETTS

The American Recovery and Reinvestment Act of 2009, the widely debated \$787 billion federal economic stimulus package, was passed by Congress on February 13 and signed into law by President Obama on February 17.

While state and local officials attempt to digest and understand the details of this more than 1,000 page law, Murtha Cullina LLP has reviewed the legislation and offers the following analysis of its key provisions and the funds expected to be received by Connecticut and Massachusetts.

In general, the act establishes a goal of committing 50% of the funds allocated for activities that can be initiated in 120 days. All funds remain available for obligation until September 30, 2010. Projects initiated under this law require a "Buy American" provision for iron, steel and manufactured goods unless waived by the appropriate federal agency. In addition, laborers and mechanics employed by contractors or subcontractors must be paid the prevailing wage and all projects must meet the requirements of the National Environmental Policy Act. In Connecticut, Governor M. Jodi Rell is establishing a working group of municipal officials, business leaders, legislators and state agency heads to finalize a list of "shovel-ready" projects for the anticipated federal stimulus funds. Massachusetts Governor Deval Patrick initiated a series of task forces chaired by his cabinet officers to review and prioritize lists of projects eligible for the federal stimulus package funding.

Job Creation

Since the beginning of the recession in December 2007, Connecticut has lost more than 29,000 jobs and Massachusetts has lost 43,000. The unemployment rate in December 2008 in Connecticut was 7.1 percent and a corresponding rate of 6.9 percent in Massachusetts. The stimulus package seeks to create or save 41,000 jobs in Connecticut and 79,000 jobs in Massachusetts through infrastructure investments. Included in the stimulus package are resources to advance --

Highway Funding and Rail and Port Activities at the discretion of each state

CT \$302.1 million

MA \$437.9 million

Transit Funds for investment in mass transit

CT \$137.5 million

MA \$319.7 million

Clean Water and Drinking Water infrastructure projects

CT \$68.5 million

MA \$187.6 million

Public Housing Renovation initiatives for energy efficiency projects and other capital needs

CT \$35.9 million

MA \$82.3 million

Home Funding to acquire, construct and rehabilitate affordable housing, rental assistance and a **Homeless Prevention Fund**

CT \$26.3 million - Home Funding

\$17 million - Homeless Prevention Fund

MA \$59.7 million - Home Funding

\$44.8 million - Homeless Prevention Fund

Education and Training

To assure a well-trained future workforce and assist unemployed workers in gaining new job skills, the stimulus package contains funding for local school districts and colleges and universities to prevent a reduction in educational resources and for modernization, renovation and repairs of public school facilities and institutions of higher education.

CT \$545.8 million

MA \$999.3 million

Additionally, federal Pell Grants for college aid will increase by \$500, for a maximum of \$5,350 per student in 2009, and \$5,500 per student in 2010.

CT 52,000 Pell Grant Recipients

MA 103,000 Pell Grant Recipients

Energy

The stimulus package contains funding to support the development of new energy technologies, to modernize energy transmission facilities, to assist energy conservation programs and to encourage state and local government to invest in energy efficiency upgrades for public buildings and vehicles.

CT	\$39.1 million - State Energy Programs
	\$65.8 million - Weatherization Assistance
MA	\$55.7 million - State Energy Programs
	\$124.7 million - Weatherization Assistance

Health Care

The new law provides significant new funding to support and sustain affordable and quality health care by promoting new medical research, providing \$19 billion in incentives to accelerate the adoption of Health Information Technology (HIT) systems by doctors and hospitals, allocating \$87 billion in federal matching funds to help states maintain Medicaid programs, and providing \$24.7 billion to subsidize private health insurance for workers who lost jobs between September 1, 2008 and December 31, 2009 through a 65% subsidy for COBRA premiums for up to nine months. The new law also strengthens federal privacy and security laws to protect personally identifiable health information from misuse.

The additional Medicaid funding to states will be allocated over a 27 month period retroactive to October 1, 2008. The HIT funding will begin in 2011 through additional Medicare and Medicaid payments, with up to \$40,000 to \$63,750 provided to eligible physicians and up to \$11 million for each eligible hospital for the purchase and use of health information technology. Beginning in 2015, physicians and hospitals that do not use certified electronic health records will be penalized through reduced Medicare/Medicaid payments.

Extended Unemployment Insurance

The new law continues through December 2009 the extended unemployment benefits program that was scheduled to begin to phase out in March 2009. Additionally, the law's new provisions increase unemployment benefits by \$25 per week and temporarily suspends taxation of some unemployment benefits.

CT	\$495 million - benefit extension (estimate)
	\$136 million - increased benefit (estimate)
MA	\$676 million - benefit extension (estimate)
	\$248 million - increased benefits (estimate)

Tax Incentives

The new law provides a variety of tax incentives for individuals and businesses equating to over \$288 billion. Some of the most significant include:

- Making Work Pay Credit - a refundable credit through a reduction in payroll withholding tax in 2009 and 2010 up to \$400 per worker, phasing out at \$95,000 for single filers and \$190,000 for couples filing jointly.
- Economic Recovery Payment - a one time \$250 payment to social security beneficiaries, SSI recipients and disabled veterans.
- First Time Home Buyers - an \$8,000 tax credit for first time home-buyers who purchase a home between December 31, 2008 and December 1, 2009.
- Vehicle Purchase - a tax credit for state and local taxes paid on the purchase of a new vehicle costing up to \$49,500.
- Renewable Energy - \$20 billion in tax incentives for renewable energy over the next 10 years.
- Manufacturing Investment Tax Credit - for investment in advanced energy facilities.
- Capital Investment Recovery - extends the bonus depreciation to quickly recover costs of new capital investments for businesses.
- Reduction of Business Debt Burden - by delaying taxes on businesses that have discharged indebtedness.

If you have any questions about the issues addressed here, please feel free to contact David McQuade, Senior Government Affairs Consultant, at 860-240-6141 / dmcquade@murthalaw.com, or your own attorney.