



MARLOWE & COMPANY

GOVERNMENT AFFAIRS CONSULTANTS

FACTS ABOUT PRESIDENT'S JOBS PROPOSAL

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Background

Cost of Jobs Bill: Approximately \$447 billion - huge package of tax cuts and new government spending

Includes extension and expansion of the cut in payroll tax worth approximately \$240 billion

The tax paid by employees would be cut in half through 2012.

Also included is a tax holiday for all new hires

\$140 billion – modernizing schools and repairing roads, bridges, basically creating construction jobs

Bulk of the plan: approximately \$400 billion over the next ten years would be paid for by tax changes that would limit itemized deductions (e.g. charitable contributions) and other expenditures for individuals making more than \$200,000/year and families making more than \$250,000/year

Here are some important provisions of the Jobs Bill.

Title II – Putting Workers Back on the Job While Rebuilding and Modernizing America

Section 201 – Returning Heroes and Wounded Warriors Work Opportunity Tax Credits. Under current law, employers that hire veterans who have been unemployed for at least 6 months and

have a service-connected disability are eligible for a maximum tax credit of \$4,800. This section increases the amount of that credit to \$9,600. This section also creates two new hiring credits for veterans. The first is a credit of \$2,400 for employers that hire veterans who have been unemployed for at least 4 weeks. The second is a credit of \$5,600 for veterans who have been unemployed for at least 6 months. Under this section, these credits are also available to tax-- 3 - exempt entities and public universities. Finally, this section authorizes the Secretary of the treasury to provide alternative methods for certifying a veteran's unemployed status.

Title I – Tax Relief for Workers and Businesses

Subtitle A – Payroll Tax Relief

Section 101 – Temporary Payroll Tax Cut for Employers, Employees, and the Self-Employed.

This section extends and expands the existing temporary reduction in payroll taxes. For calendar year 2012, it: (a) further reduces the Old Age, Survivors and Disability Insurance (social security) portion of the payroll tax that was paid by employees during 2011 from 4.2 percent (reflecting the existing 2 percent temporary reduction from the permanent rate) to 3.1 percent; and (b) adds a new reduction in the portion of this tax that is paid by employers from 6.2 percent to 3.1 percent. The employer reduction applies to up to \$5 million of wages that are paid by the employer. With limited exceptions, the reduction in amounts paid by employers is available to all employers, whether private businesses or tax-exempt organizations. The employer reduction is not available, however, to Federal, State and local government employers (other than State colleges and universities) or with respect to household workers. This section contains equivalent reductions for individuals subject to self-employment taxes. Transfers from general revenues are provided to protect the social security trust fund.

Section 102 – Temporary Tax Credit for Increased Payroll. For the last quarter of 2011 and for calendar year 2012, the proposal provides a payroll tax credit that fully offsets the employer social security tax that otherwise would apply to increases in wages from the corresponding period of the prior year. For example, if an employer paid wages subject to social security tax of - 2 -

\$5 million in 2011 and \$6 million in 2012, the credit to which the employer would be entitled would eliminate the employer's portion of social security taxes on the \$1 million of increased wages. The credit would be available on up to \$50 million of an employer's increased wages. Generally, the credit is available to all employers, whether private businesses or tax-exempt organizations, but would not be available to Federal, State and local government employers (other than State colleges and universities) or with respect to household workers. Transfers from general revenues are provided to protect the social security trust fund.

Section 113 – Delay in Application of Withholding on Government Contractors. This section would delay the effective date of the requirement that governmental entities withhold at a 3 percent rate from payments to persons providing certain property or services. Under this section, this withholding requirement would apply to payments made after December 31, 2013.

Subtitle C – First Responder Stabilization

Section 214 – Grant Program. This section provides authority for the Attorney General to carry out a competitive grant program as authorized by section 1701 of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3796dd) to support hiring, rehiring, and retention of career law enforcement officers. This section further waives the requirements of subsections (g) and (i) of section 1701 and section 1704 of such Act (42 U.S.C. 3796dd–3(c)), which limit the Federal contribution for grants to 75 percent, terminate the authority to hire and

rehire law enforcement officers after September 13, 2000, and limit annual salaries and benefits paid for by the grants to \$75,000.

Section 215 – Appropriations. This section makes available \$5,000,000,000 to carry out the program identified in section 214 for fiscal year 2012, permitting funds to remain available through September 30, 2012. This section further authorizes the transfer of \$1,000,000,000 of this funding to the Department of Homeland Security to provide for competitive grants to support the hiring of first responder personnel, as authorized by 15 U.S.C. 2201 et seq., and to carry out section 34 of that Act (15 U.S.C. 2229a). This section also permits the Secretary to waive the requirements of subsections (a)(1)(A), (a)(1)(B), (a)(1)(E), (c)(1), (c)(2), and (c)(4)(A) of section 34, which, among other requirements, would limit the use of the funds as well as the duration of availability and funding amounts of grants. This section further permits that up to \$8,000,000 of the amounts made available to the Department of Justice to be used for program administration, and up to \$2,000,000 of amounts made available to the Department of Homeland Security may be used for program administration.

Section 241 – Immediate Transportation Infrastructure Investments. Subsection (a) of this section makes available \$2 billion for airport development grants. Grants made available under the section would have a 100 percent Federal share. Additionally, this subsection permits 0.3 percent of the available funds to be used for administrative expenses.

Subsection (b) makes \$1 billion available to conduct research and development and demonstrations and to acquire, establish, and improve FAA air navigation facilities, systems, and procedures to advance NextGen.

Subsection (c) provides \$27 billion for highway restoration, repair, and construction projects, as well as passenger and freight rail transportation projects, distributed via traditional formulas that were also utilized in the Recovery Act. A portion of the funds within each State would be sub-allocated by population areas. To speed project delivery, the Federal share of project costs would be 100 percent. In addition, set asides are specifically provided for: (1) Puerto Rico and territorial highways; (2) Indian reservation roads; (3) park roads and parkways; (4) forest highways; (5) refuge roads; and (6) management and oversight, including funding for State Departments of Transportation planning activities. Competitive funding is also provided for transportation training programs, particularly focused on workforce skill gaps, and disadvantaged business enterprise training assistance.

Subsection (d) makes available \$4 billion for projects to improve the Nation's existing intercity passenger rail network and develop new high speed rail corridors. Grants made available under the section would have a 100 percent Federal share. The Secretary would be required to issue interim guidance to applicants detailing the application process and eligibility criteria, and not less than 85 percent of the funds awarded shall be for projects supporting the development of intercity or high speed passenger rail corridors.

Subsection (e) makes available \$2 billion to Amtrak for the repair, rehabilitation, and upgrade of Amtrak's assets and infrastructure, including rolling stock.

Subsection (f) makes available \$3 billion for transit capital projects, particularly for the purchase of new buses and for the repair and rehabilitation of existing rail and bus systems, including rolling stock. To speed project delivery, the Federal share of project costs would be 100 percent. Of the funds provided, 80 percent would be apportioned to urbanized areas with a population of at least 50,000, 10 percent shall be apportioned to "Growing States and High Density States" as provided in Section 5340 of title 49, and 10 percent shall be apportioned to non-urbanized areas

with populations below 50,000. In addition, within the amount made available for apportionment to non-urbanized areas, 2.5 percent would be made available for tribal transit programs as provided in Section 5311(c)(1) of title 49. Funds apportioned to urbanized areas with a population of at least 50,000, but not more than 200,000 may be eligible for both capital and operating assistance. Funds apportioned to non-urbanized areas are also eligible for operating assistance.

Subsection (g) makes available \$6 billion for capital projects to modernize existing fixed guideway systems and to replace and rehabilitate buses and bus facilities. To speed project delivery, the Federal share of project costs would be 100 percent. To target fixed guideway modernization funding to the transit systems with the highest need for state of good repair upgrades, 75 percent of the funds provided will be apportioned based on fixed guideway revenue vehicle miles and passenger miles, as provided in Section 5336(b) of Title 49. The remaining 25 percent shall be available for bus and bus facilities and shall be apportioned based on formula in Section 5336 other than subsection (b).

Subsection (h) provides \$5 billion to award grants on a competitive basis for projects across all surface transportation modes that will have a significant impact on the Nation, a metropolitan area or a region. Provisions require the Secretary to publish criteria on which to base competition for the grants within 90 days of enactment, with priority for distribution of funds given to projects expected to be completed within three years of the date of enactment of the Act. This subsection also provides the Secretary the flexibility to provide other forms of federal credit assistance for capital investments in surface transportation infrastructure.

Subsection (i) authorizes the Secretary to establish standards under which a contract for construction funded under subsections (a) through (h) of this section may be advertised that contains "local hiring" requirements in some limited circumstances.

Subtitle F – Building and Upgrading Infrastructure for Long-Term Development

Section 242 – Short Title; Table of Contents. The Act is entitled the Building and Upgrading Infrastructure for Long-Term Development (BUILD) Act.

Section 243 – Findings and Purpose. This section sets forth findings concerning, among other things, the importance of infrastructure and investing in infrastructure, the status of U.S. infrastructure as compared to other nations, and the issues surrounding our current funding mechanisms. It also sets forth the purpose of the Act, which is to create an institution that will mobilize significant private investment in economically viable infrastructure projects of regional or national significance in order to create jobs, reduce our infrastructure deficit, and support U.S. competitiveness.

Subtitle G – Project Rebuild

This subtitle authorizes \$15 billion in investments to put construction workers on the job rehabilitating and refurbishing hundreds of thousands of vacant and foreclosed homes and businesses. Building on proven approaches to stabilizing neighborhoods with high concentrations of foreclosures, Project Rebuild will bring in expertise and capital from the private sector, focus on commercial and residential property improvements, and expand innovative property solutions like land banks. The goals of this subtitle are to create jobs, as well as stabilize neighborhoods, reverse vacancy reduction, and increase or stabilize residential and commercial property values.

Section 261 – Project Rebuild. Subsection (a) includes \$15 billion in direct appropriations and enumerates the eligible entities, including units of general local government, states, nonprofits, for-profits, and consortia. This section makes for-profits eligible to be a potential direct grant recipients and not only as partners with a local government or non-profit entity. This addition is consistent with the added emphasis on job creation, innovation, and capacity to carry out real

property acquisition. To offset potential new risks inherent in direct grants to for-profit entities, HUD will implement the enforcement policies and procedures as described at the end of the subtitle.

Part II – Public Safety Broadband Network

Section 282 – Flexible Use of Narrowband Spectrum. This section would allow the FCC to authorize broadband technologies to operate in spectrum currently designated for legacy narrowband and other land mobile radio technologies used for public safety operations.

Section 284 – Establishment of Public Safety Broadband Corporation. This section establishes the Public Safety Broadband Corporation to promote the construction and development of a nationwide public safety network. The section designates that the Corporation is not an agency or establishment of the U.S. or District of Columbia governments.

Part I - Extension of Emergency Unemployment Compensation and Certain Extended Benefits Provisions, and Establishment of Self-Employment Assistance Program

This part provides for the extension of emergency unemployment compensation and certain extended benefits and establishes the self-employment assistance program.

Section 312 – Temporary Extension of Extended Benefit Provisions. This section generally provides for the extension of certain extended benefits. Subsection (a) would extend 100 percent Federal funding of most extended benefits (EB) by one year to January 4, 2013. It also would - 22 - extend the transition period by one year so 100 percent federal funding of EB would continue until June 11, 2013 for individuals who started receiving EB before January 4, 2013. Subsection (b) would extend 100 percent Federal funding of the first week of EB by one year to June 9, 2013. Subsection (c) would extend by one year the temporary modification to EB indicators, which makes it easier for EB to remain payable in states, to December 31, 2012. Subsection (d) would provide that the amendments made by this section take effect as if included in the enactment of the Unemployment Compensation Extension Act of 2010.

Subtitle B – Long-Term Unemployed Hiring Preferences

Section 351 – Long Term Unemployed Workers Work Opportunity Tax Credits. This section makes employers eligible for a maximum tax credit of \$4,000 if they hire individuals who have been unemployed for at least 6 months. This credit is also made available to tax-exempt entities and public universities. Finally, this section authorizes the Secretary of the Treasury to provide alternative methods for certifying an individual's unemployed status.

Subtitle C – Pathways Back to Work

The "Pathways Back to Work Act of 2011" would establish a \$5 billion fund to support subsidized employment opportunities, summer and year-round youth employment, and work-based training and education programs for unemployed, low-income adults and low-income youth.

Section 363 – Availability of Funds. This section would direct the Secretary of Labor (the Secretary) to use the \$5 billion in the Fund as follows: \$2 billion would be available for subsidized employment for unemployed, low-income adults; \$1.5 billion would be available to provide summer and year-round employment opportunities to low-income youth; and \$1.5 billion would be available for competitive grants to local entities to carry out work-based training for unemployed, low-income adults and low-income youth. The Secretary is authorized to reserve up to 1 percent of funding for technical assistance, evaluations, and Federal administration. The funds would be available for obligation by the Secretary of Labor through

December 31, 2012, and for available for expenditure by grantees and subgrantees through September 30, 2013

Part II – Reemployment NOW program

This part establishes the Reemployment NOW program.

Section 321 – Establishment of Reemployment NOW Program. This section would authorize and appropriate \$4 billion for fiscal year 2012 for the Secretary of Labor to establish and carry out a Reemployment NOW program, which would facilitate the reemployment of individuals receiving emergency unemployment compensation.

Section 324 – Bridge to Work Program. This section provides for the establishment of a bridge to work program.

Subsection (a) would authorize a State to use Reemployment NOW funds to provide a bridge to work program.

Subsection (b) would provide that, under the bridge to work program, eligible individuals would have the option to engage in short-term work experiences with an eligible employer. During participation in the bridge to work program, an individual receiving EUC would: continue to receive EUC as wages for work performed for the participating employer; receive any augmented wages, if applicable, under subsection (e); and could be paid compensation by a participating employer or by a State that is in addition to EUC and augmented wages paid.

Title IV – Offsets

Subtitle D -- Repeal Oil Subsidies

Section 431 – Repeal of Deduction for Intangible Drilling and Development Costs in the Case of Oil and Gas Wells. This section would not allow expensing of IDCs or 60-month amortization of capitalized IDCs. Instead, IDCs would be capitalized as depreciable or depletable property, depending on the nature of the cost incurred, in accordance with generally applicable rules. This section would repeal current law expensing of IDCs and 60-month amortization of capitalized IDCs effective for costs paid or incurred after December 31, 2012.

Subtitle F – Increased Target and Trigger for Joint Select Committee on Deficit Reduction

Section 451 – Increased Target and Trigger for Joint Select Committee on Deficit Reduction. Subtitles A through E of Title IV of this bill enact offsets to pay for the jobs creation provisions of the bill. If the Joint Select Committee on Deficit Reduction achieves additional savings in the amount of the cost of these jobs creation provisions, the offsets do not take effect.

Subsection (a) of Section 451 amends the Budget Control Act of 2011 to increase the \$1.5 trillion deficit reduction target of the Joint Committee by the cost of the jobs creation provisions (Titles I-III). This increased amount would be revised based on the final score of the jobs provisions.

Subsection (b) of Section 451 amends the Budget Control Act to specify that if the Joint Committee exceeds the \$1.2 trillion in deficit reduction necessary to avoid sequestration by the cost of the jobs creation provisions, then the offsets in Title IV of this bill will not take effect. As in subsection (a) of this section, this increased amount would be revised based on the final score of the jobs provisions (Titles I-III). Subsection (b) does not affect the existing requirement in the Budget Control Act for sequestration if the Joint Committee does not hit its minimum deficit reduction target of \$1.2 trillion.

Subtitle B – Teacher Stabilization – Investing \$25 billion in K-12 school infrastructure

Section 203 – Grants for the Outlying Areas and the Secretary of the Interior; Availability of Funds. This section reserves, from the amount provided in section 212, up to one-half of one percent for outlying areas and up to one-half of one percent for Bureau of Indian Education (BIE) schools, and allow the Secretary to reserve up to \$2,000,000 for administration and oversight. Under subsection (b), funds provided in section 212 would be made available to the Secretary until September 30, 2012.

Section 206 – State Reservation and Responsibilities. This section authorizes States to reserve 10 percent of their grants for State-funded preschool programs and to reserve 2 percent for administrative costs. Subsection (b) would require States to support early, elementary, and secondary education by distributing the remaining grant funds to local educational agencies (LEAs) no later than 100 days after receiving a grant. Subsection (c) prohibits a State from using the funds to support a rainy-day fund or reduce debt obligations.

Section 207 – Local Educational Agencies. This section limits the use of funds by local educational agencies to those necessary to retain existing employees, rehire former employees, or hire new employees to provide early, elementary, or secondary educational and related services and excludes the use of funds for general administrative expenses. It also requires the funds to be obligated by September 30, 2013.

Section 212 – Authorization of Appropriations. This section authorizes and appropriates \$30,000,000,000 to carry out this subtitle for fiscal year 2012.

Subtitle D – School Modernization

Part I – Elementary and Secondary Schools

Section 221 – Purpose. This section states that the purpose of Subtitle D is to provide assistance for the modernization, renovation, and repair of elementary and secondary school buildings in public school districts across America, in order to support the achievement of improved educational outcomes in those schools.

Section 222 – Authorization of Appropriations. This section authorizes and appropriates \$25,000,000,000, which would be available for obligation until September 30, 2012, to carry out this part.