

# American Recovery and Reinvestment Act of 2009

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The **American Recovery and Reinvestment Act of 2009** (**ARRA**) (Pub.L. 111–5 (<http://legislink.org/us/pl-111-5>)), commonly referred to as **the Stimulus** or **The Recovery Act**, was a stimulus package enacted by the 111th United States Congress in February 2009 and signed into law on February 17, 2009, by President Barack Obama.

To respond to the Great Recession, the primary objective for ARRA was to save and create jobs almost immediately. Secondary objectives were to provide temporary relief programs for those most affected by the recession and invest in infrastructure, education, health, and renewable energy. The approximate cost of the economic stimulus package was estimated to be \$787 billion at the time of passage, later revised to \$831 billion between 2009 and 2019.<sup>[1]</sup> The Act included direct spending in infrastructure, education, health, and energy, federal tax incentives, and expansion of unemployment benefits and other social welfare provisions. It also created the President's Economic Recovery Advisory Board.

The rationale for ARRA was from Keynesian macroeconomic theory, which argues that, during recessions, the government should offset the decrease in private spending with an increase in public spending in order to save jobs and stop further economic deterioration. Shortly after the law was passed, Nobel laureate Paul Krugman, while supportive of the law, criticized the law for being too weak because it did not "even cover one third of the (spending) gap".<sup>[2]</sup>

The impact of the stimulus has been subject to debate since its inception. Studies on its impact have produced a range of conclusions from strongly positive to strongly harmful and any

## American Recovery and Reinvestment Act of 2009



<b>Long title</b>	An act making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, State, and local fiscal stabilization, for the fiscal year ending September 30, 2009, and for other purposes.
<b>Acronyms</b> (colloquial)	ARRA
<b>Nicknames</b>	Recovery Act, Stimulus, Stimulus Package
<b>Enacted by</b>	the 111th United States Congress
<b>Effective</b>	February 17, 2009

### Citations

<b>Public law</b>	111-5 ( <a href="http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_public_laws&amp;docid=f:publ005.pdf">http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_public_laws&amp;docid=f:publ005.pdf</a> )
<b>Statutes at Large</b>	123 Stat. 115

### Legislative history

- **Introduced in the House as H.R. 1** (<https://www.congress.gov/bill/111th-congress/house-bill/1>) **by** Dave Obey (D-WI) **on** January 26, 2009
- **Committee consideration by** Appropriations and Budget
- **Passed the House on** January 28, 2009 (244—188 (<http://clerk.house.gov/evs/2009/roll046.xml>))

range of in between. In 2012, the IGM Forum poll conducted by the University of Chicago's Booth School of Business found 80% of leading economists agree unemployment was lower at the end of 2010 than it would have been without the stimulus. As for whether the benefits of the stimulus outweigh the costs, the economists' responses were more varied: 46% strongly agreed or agreed that the benefits outweigh the costs, 27% uncertain, and 12% strongly disagreed or disagreed.<sup>[3]</sup> IGM forum asked this same question to leading economists again in 2014. This new poll found 82% of leading economists strongly agreed or agreed that unemployment was lower in 2010 than it would have been without the stimulus. Revisiting the question about the benefits outweighing the costs, 56% strongly agreed or agreed that it did, 23% were uncertain, and 5% disagreed.<sup>[4]</sup>

- **Passed the Senate on** February 10, 2009 (61–37 ([http://www.senate.gov/legislative/LIS/roll\\_call\\_lists/roll\\_call\\_vote\\_cfm?congress=111&session=1&vote=00061](http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm?congress=111&session=1&vote=00061)))
- **Reported by the joint conference committee on** February 12, 2009; **agreed to by the House on** February 13, 2009 (246—183 (<http://clerk.house.gov/evs/2009/roll070.xml>)) **and by the Senate on** February 13, 2009 (60—38 ([http://www.senate.gov/legislative/LIS/roll\\_call\\_lists/roll\\_call\\_vote\\_cfm?congress=111&session=1&vote=00064](http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm?congress=111&session=1&vote=00064)))
- **Signed into law by President Barack Obama on** February 17, 2009

## Contents

- - 1 Legislative history
    - - 1.1 House of Representatives
      - - 1.2 Senate
        - - 1.3 Comparison of the House, Senate and Conference versions
            - - 1.3.1 Spending (Senate—\$552 billion, House—\$545 billion)
              - - 1.3.2 Tax Changes (\$275 billion)
        - - 1.4 Conference report
- - 2 Provisions of the Act
    - - 2.1 Tax incentives
        -

- 2.1.1 Tax incentives for individuals
- 2.1.2 Tax incentives for companies
- 2.2 Healthcare
- 2.3 Education
- 2.4 Aid to low income workers, unemployed and retirees (including job training)
- 2.5 Infrastructure investment
  - 2.5.1 Transportation
  - 2.5.2 Water, sewage, environment, and public lands
  - 2.5.3 Government buildings and facilities
  - 2.5.4 Communications, information, and security technologies
  - 2.5.5 Energy infrastructure
- 2.6 Energy efficiency and renewable energy research and investment
- 2.7 Housing
- 2.8 Scientific research
- 2.9 Other
- 3 Buy American provision
- 4 Recommendations by economists
- 5 Congressional Budget Office reports
- 6 Recovery.gov
-

## 7 Developments under the Act and estimates of the Act's results

- 
- 8 Oversight and administration
- 
- 9 See also
- 
- 10 References
- 
- 11 External links

## Legislative history

Both the House and the Senate versions of the bills were primarily written by Democratic Congressional committee leaders and their staffs (<http://www.time.com/time/politics/article/0,8599,1877192,00.html#ixzz1Sgy68HdV>). Because work on the bills started before President Obama officially took office on January 20, 2009, top aides to President-Elect Obama held multiple meetings with committee leaders and staffers. On January 10, 2009, President-Elect Obama's administration released a report<sup>[5]</sup> that provided a preliminary analysis of the impact to jobs of some of the prototypical recovery packages that were being considered.

### House of Representatives

The House version of the bill, H.R. 1 (<https://www.congress.gov/bill/111th-congress/house-bill/1>), was introduced on January 26, 2009.<sup>[6]</sup> It was sponsored by Democrat David Obey, the House Appropriations Committee chairman, and was co-sponsored by nine other Democrats. On January 23, Speaker of the House Nancy Pelosi said that the bill was on track to be presented to President Obama for him to sign into law before February 16, 2009.<sup>[7]</sup> Although 206 amendments were scheduled for floor votes, they were combined into only 11, which enabled quicker passage of the bill.<sup>[8]</sup>

On January 28, 2009, the House passed the bill by a 244–188 vote.<sup>[9]</sup> All but 11 Democrats voted for the bill, and 177 Republicans voted against it (one Republican did not vote).<sup>[10]</sup>

### Senate

The senate version of the bill, S. 1 (<https://www.congress.gov/bill/111th-congress/senate-bill/1>), was introduced on January 6, 2009, and later substituted as an amendment to the House bill, S.Amdt. 570 (<https://www.congress.gov/amendment/111th-congress/senate-amendment/570>). It was sponsored by Harry Reid, the Majority Leader, co-sponsored by 16 other Democrats and Joe Lieberman, an independent who caucuses

with the Democrats.

The Senate then began consideration of the bill starting with the \$275 billion tax provisions in the week of February 2, 2009.<sup>[7]</sup> A significant difference between the House version and the Senate version was the inclusion of a one-year extension of revisions to the alternative minimum tax, which added \$70 billion to the bill's total.

Republicans pushed for large increases infrastructure spending and to double the housing tax credit proposed from \$7,500 to \$15,000 and expand its application to all home buyers, not just first-time buyers and while President Obama and Senate Democrats hinted that they would be willing to compromise on Republican suggestions to increase infrastructure spending, Senate Democrats did not incorporate these suggestions to increase infrastructure spending into the bill.<sup>[11]</sup> Other considered amendments included the Freedom Act of 2009, an amendment proposed by Senate Finance Committee members Maria Cantwell (D) and Orrin Hatch (R) to include tax incentives for plug-in electric vehicles.<sup>[12]</sup>

The Senate called a special Saturday debate session for February 7 at the urging of President Obama. The Senate voted, 61–36 (with 2 not voting) on February 9 to end debate on the bill and advance it to the Senate floor to vote on the bill itself.<sup>[13]</sup> On February 10, the Senate voted 61–37 (with one not voting)<sup>[14]</sup> All the Democrats voted in favor, but only three Republicans voted in favor (Susan Collins, Olympia Snowe, and Arlen Specter).<sup>[15]</sup> Specter switched to the Democratic Party later in the year. At one point, the Senate bill stood at \$838 billion.<sup>[16]</sup>

## Comparison of the House, Senate and Conference versions

Senate Democrats, after ignoring calls for additional infrastructure spending by Senate Republicans, forced a near unprecedented level of changes (near \$150 billion) in the House bill, which had more closely followed the Obama plan. The biggest losers were states<sup>[17]</sup> (severely restricted Stabilization Fund) and the low income workers (reduced tax credit) with major gains for the elderly (largely left out of the Obama plan) and high income tax-payers. A comparison of the \$827 billion economic recovery plan drafted by Senate Democrats with an \$820 billion version passed by the House and the final \$787 billion conference version shows huge shifts within these similar totals. Additional debt costs would add about \$350 billion or more over 10 years. Many provisions will expire in two years.<sup>[18]</sup>

The main funding differences between the Senate bill and the House bill are: More funds for health care in the Senate (\$153.3 vs \$140 billion), renewable energy programs (\$74 vs. \$39.4 billion), for home buyers tax credit (\$35.5 vs. \$2.6 billion), new payments to the elderly and a one-year increase in



Official seal of Recovery.gov, the official site of the American Recovery and Reinvestment Act of 2009.



President Barack Obama signs the ARRA into law on February 17, 2009 in Denver, Colorado. Vice President Joe Biden stands behind him.

AMT limits. The House has more funds appropriated for education (\$143 vs. \$119.1 billion), infrastructure (\$90.4 vs. \$62 billion) and for aid to low income workers and the unemployed (\$71.5 vs. \$66.5 billion).<sup>[16]</sup>

### Spending (Senate—\$552 billion, House—\$545 billion)

- Aid to low income workers and the unemployed
  - Senate — \$47 billion to provide extended unemployment benefits through December 31, increased by \$25 a week, and provide job training; \$16.5 billion to increase food stamp benefits by 12 percent through fiscal 2011 and issue a one-time bonus payment; \$3 billion in temporary welfare payments.
  - House — Comparable extension of unemployment insurance; \$20 billion to increase food stamp benefits by 14 percent; \$2.5 billion in temporary welfare payments; \$1 billion for home heating subsidies and \$1 billion for community action agencies.
- Direct cash payments
  - Senate — \$17 billion to give one-time \$300 payments to recipients of Supplemental Security Income and Social Security, and veterans receiving disability and pensions.
  - House — \$4 billion to provide a one-time additional Supplemental Security Income and Social Security Disability Insurance payment to the elderly, of \$450 for individuals and \$630 for married couples.
  - Conference — \$250 one-time payment to each recipient of Supplemental Security Income, Social Security (Regular & Disability) Insurance, Veterans pension, Railroad Retirement, or State retirement system.<sup>[19]</sup>
- Infrastructure
  - Senate — \$46 billion for transportation projects, including \$27 billion for highway and bridge construction and repair and \$11.5 billion for mass transit and rail projects; \$4.6 billion for the Army Corps of Engineers; \$5 billion for public housing improvements; \$6.4 billion for clean and drinking water projects.
  - House — \$47 billion for transportation projects, including \$27 billion for highway and bridge construction and repair and \$12 billion for mass transit, including \$7.5 billion to buy transit equipment such as buses; and \$31 billion to



President Barack Obama speaks about the 2,000th project approved through the ARRA. The president is joined by Vice President Joe Biden and Secretary of Transportation Ray LaHood.



Obama addresses a joint session of Congress, with Vice President Joe Biden and House Speaker Nancy Pelosi.



Obama addresses the 111th United States Congress

Address Before a Joint Session of Congress (February 24, 2009)



Barack Obama's February 24, 2009 Address Before a Joint Session of Congress. The American Recovery and Reinvestment Act of 2009 was a focal point of the speech.

Address Before a Joint Session of Congress (February 24, 2009) (audio)

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Audio-only version

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build and repair federal buildings and other public infrastructures.

- Health care
  - Senate — \$21 billion to subsidize the cost of continuing health care insurance for the involuntarily unemployed under the COBRA program; \$87 billion to help states with Medicaid; \$22 billion to modernize health information technology systems; and \$10 billion for health research and construction of National Institutes of Health facilities.
  - House — \$40 billion to subsidize the cost of continuing health care insurance for the involuntarily unemployed under the COBRA program or provide health care through Medicaid; \$87 billion to help states with Medicaid; \$20 billion to modernize health information technology systems; \$4 billion for preventative care; \$1.5 billion for community health centers; \$420 million to combat avian flu; \$335 million for programs that combat AIDS, sexually transmitted diseases and tuberculosis.
  - Conference — A 65% COBRA subsidy for 9 months will apply to workers laid off between Sep 1, 2008 and Dec 31, 2009. Those already laid off have 60 days to apply for COBRA.<sup>[20]</sup>
- Education
  - Senate — \$55 billion in state fiscal relief to prevent cuts in education aid and provide block grants; \$25 billion to school districts to fund special education and the No Child Left Behind K–12 law; \$14 billion to boost the maximum Pell Grant by \$400 to \$5,250; \$2 billion for Head Start.
  - House — Similar aid to states and school districts; \$21 billion for school modernization; \$16 billion to boost the maximum Pell Grant by \$500 to \$5,350; \$2 billion for Head Start.
  - Conference — The Conference Report merged most education aid with the State Fiscal Stabilization fund (administered by the Department of Education) and gave power over the funds to each governor under voluminous restrictions. The Governor is "Required" to spend \$45 billion of the money on education to restore funding to 2008 levels but the mechanisms to enforce state maintenance of effort at 2005–06 levels are complex and potentially impossible to implement.<sup>[21]</sup> Hard hit states such as Nevada cannot possibly find enough funds to get to the 2005–06 state funding levels for education.<sup>[22]</sup> Some states with no current budget cuts for education, such as Arkansas and North Carolina, may get nothing.<sup>[23]</sup> This will result in a monumental 50 state legal and political fight over how to re-budget to best take advantage of the federal legislation. Many states will further reduce state funds for education to the 2005–06 minimum so these state resources can be used for other state priorities and the net gain for education will be far less than the total federal appropriation.
- Energy
  - Senate — \$40 billion for energy efficiency and renewable energy programs, including \$2.9 billion to weatherize modest-income homes; \$4.6 billion for fossil fuel research and development; \$6.4 billion to clean up nuclear weapons production sites; \$11 billion toward a so-called smart electricity grid to reduce waste; \$8.5 billion to subsidize loans for renewable energy projects; and \$2 billion for advanced battery systems.
  - House — \$28.4 billion for energy efficiency and renewable energy programs, including \$6.2 billion to weatherize homes; \$11 billion to fund a smart electricity grid.
- Homeland security
  - Senate — \$4.7 billion for homeland security programs, including \$1 billion for airport screening equipment and \$800 million for port security.
  - House — \$1.1 billion, including \$500 million for airport screening equipment.

- Law enforcement
  - Senate — \$3.5 billion in grants to state and local law enforcement to hire officers and purchase equipment.
  - House — Comparable provision.

## Tax Changes (\$275 billion)

- House — About \$145 billion for \$500 per-worker, \$1,000 per-couple tax credits in 2009 and 2010. For the last half of 2009, workers could expect to see about \$20 a week less withheld from their paychecks starting around June. Millions of Americans who don't make enough money to pay federal income taxes could file returns next year and receive checks. Individuals making more than \$75,000 and couples making more than \$150,000 would receive reduced amounts.
- Senate — The credit would phase out at incomes of \$70,000 for individuals and couples making more than \$140,000 and phase out more quickly, reducing the cost to \$140 billion.
- Conference — Tax Credit reduced to \$400 per worker and \$800 per couple in 2009 and 2010 and phaseout begins at \$75,000 for individuals and \$150,000 for joint filers. Note retirees with no wages get nothing.<sup>[24]</sup>
- Alternative minimum tax
  - House — No provision.
  - Senate — About \$70 billion to prevent 24 million taxpayers from paying the alternative minimum tax in 2009. The tax was designed to make sure wealthy taxpayers can't use credits and deductions to avoid paying any taxes or paying at a far lower rate than would otherwise be possible. But it was never indexed to inflation, so critics now contend it taxes people it was not intended to. Congress addresses it each year, usually in the fall.
  - Conference — Includes a one-year increase in AMT floor to \$70,950 for joint filers for 2009.<sup>[24]</sup>
- Expanded child credit
  - House — \$18.3 billion to give greater access to the \$1,000 per-child tax credit for low income workers in 2009 and 2010. Under current law, workers must make at least \$12,550 to receive any portion of the credit. The change eliminates the floor, meaning more workers who pay no federal income taxes could receive checks.
  - Senate — Sets a new income threshold of \$8,100 to receive any portion of the credit, reducing the cost to \$7.5 billion.
  - Conference — The income floor for refunds was set at \$3,000 for 2009 & 2010.<sup>[25]</sup>
- Expanded earned income tax credit
  - House — \$4.7 billion to increase the earned income tax credit — which provides money to low income workers — for families with at least three children.
  - Senate — Same.
- Expanded college credit
  - House — \$13.7 billion to provide a \$2,500 expanded tax credit for college tuition and related expenses for 2009 and 2010. The credit is phased out for couples making more than \$160,000.
  - Senate — Reduces the amount that can be refunded to low-income families that pay no income taxes, lowering the cost to \$13 billion.
- Homebuyer credit

- House — \$2.6 billion to repeal a requirement that a \$7,500 first-time homebuyer tax credit be paid back over time for homes purchased from Jan 1 to July 1, unless the home is sold within three years. The credit is phased out for couples making more than \$150,000.
- Senate — Doubles the credit to \$15,000 for homes purchased for a year after the bill takes effect, increasing the cost to \$35.5 billion.
- Conference — \$8,000 credit for all homes bought between 1/1/2009 and 12/1/2009 and repayment provision repealed for homes purchased in 2009 and held more than three years.<sup>[25]</sup>
- Home energy credit
  - House — \$4.3 billion to provide an expanded credit to homeowners who make their homes more energy-efficient in 2009 and 2010. Homeowners could recoup 30 percent of the cost up to \$1,500 of numerous projects, such as installing energy-efficient windows, doors, furnaces and air conditioners.
  - Senate — Same.
  - Conference — Same.
- Unemployment
  - House — No similar provision.
  - Senate — \$4.7 billion to exclude from taxation the first \$2,400 a person receives in unemployment compensation benefits in 2009.
  - Conference—Same as Senate
- Bonus depreciation
  - House — \$5 billion to extend a provision allowing businesses buying equipment such as computers to speed up its depreciation through 2009.
  - Senate — Similar.
- Money-losing companies
  - House — \$15 billion to allow companies to use current losses to offset profits made in the previous five years, instead of two, making them eligible for tax refunds.
  - Senate — Allows companies to use more of their losses to offset previous profits, increasing the cost to \$19.5 billion.
  - Conference — Limits the carry-back to small companies, revenue under \$5 million<sup>[26]</sup>
- Government contractors
  - House — Repeal a law that takes effect in 2011, requiring government agencies to withhold three percent of payments to contractors to help ensure they pay their tax bills. Repealing the law would cost \$11 billion over 10 years, in part because the government could not earn interest by holding the money throughout the year.
  - Senate — Delays the law from taking effect until 2012, reducing the cost to \$291 million.
- Energy production
  - House — \$13 billion to extend tax credits for renewable energy production.
  - Senate — Same.
  - Conference — Extension is to 2014.
- Repeal bank credit
  - House — Repeal a Treasury provision that allowed firms that buy money-losing banks to use more of the losses as tax credits to offset the profits of the merged banks for tax purposes. The change would increase taxes on the merged banks by \$7 billion over

10 years.

- Senate — Same.
- House — \$36 billion to subsidize locally issued bonds for school construction, teacher training, economic development and infrastructure improvements.
- Senate — \$22.8 billion to subsidize locally issued bonds for school construction, industrial development and infrastructure improvements.
- Auto sales
  - House — No similar provision.
  - Senate — \$11 billion to make interest payments on most auto loans and sales tax on cars deductible.
  - Conference — \$2 billion for deduction of sales tax, not interest payments phased out for incomes above \$250,000.<sup>[27]</sup>

## Conference report

Congressional negotiators said that they had completed the Conference Report on February 11.<sup>[28]</sup> On February 12, House Majority Leader Steny Hoyer scheduled the vote on the bill for the next day, before wording on the bill's content had been completed and despite House Democrats having previously promised to allow a 48-hour public review period before any vote. The Report with final handwritten provisions was posted on a House website that evening.<sup>[29][30]</sup> On February 13, the Report passed the House, 246-183, largely along party lines with all 246 Yes votes given by Democrats and the Nay vote split between 176 Republicans and 7 Democrats.<sup>[31][32]</sup>

The Senate passed the bill, 60-38, with all Democrats and Independents voting for the bill along with three Republicans. On February 17, 2009, President Barack Obama signed the Recovery Act into law.

## Provisions of the Act

Section 3 of ARRA listed the basic intent behind crafting the proposal. This Statement of Purpose included the following:

1. To preserve and create jobs and promote economic recovery.
2. To assist those most impacted by the recession.
3. To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
4. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
5. To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Act specifies that 37% of the package is to be devoted to tax incentives equaling \$288 billion and \$144 billion, or 18%, is allocated to state and local fiscal relief (more than 90% of the state aid is going to Medicaid and education). The remaining 45%, or \$357 billion, is allocated to federal spending programs such as transportation, communication, waste water and sewer infrastructure improvements; energy

