



Updated February 25, 2009

On February 17<sup>th</sup>, the \$787.5 billion federal stimulus package, H.R. 1, the American Recovery and Reinvestment Act was signed into law by President Barack Obama. Overall, the package includes many provisions of great importance to higher education/research institutions. The federal research agencies will be providing formal guidance relating to how the funding will be distributed in the coming weeks.

**At A Glance:**

<b>Aid To Students and Parents:</b>	Approximately \$30 billion \$16 billion in Pell Grants and Work Study \$13 billion in Tax Credits to Students and Families
<b>Research Funding:</b>	Approximately \$16 billion in federal R&D (NIH, NSF, DOE, etc...)
<b>State Stabilization Fund:</b>	Privates Eligible-however most will flow to K-12 and other public entities

Key Provisions:

**Education and Student Aid**

- \$15.6 billion to increase the maximum Pell Grant by \$500. Raises the maximum grant by \$500 from \$4,850 to \$5,350 for the 2009 and 2010 academic year. After 2010, the maximum grant will remain subject to the annual appropriations process, however, in the past Congress has been extremely reluctant to decrease the size of the maximum grant.
- \$200 million for College Work Study. Funds would have to be matched with 25% non-federal funds. Colleges and universities would also be required to use at least 7% of their allocation for payments to students employed in community service activities. Funding to be made available later this year. Funding beyond this year will be subject to the annual appropriations process.
- No funding for the federal Perkins Loan Program (the Senate bill had included \$61 million for capital contributions).
- House language to increase unsubsidized loan limits by \$2000 were eliminated.

**State Stabilization Fund**

- \$53.6 billion for the State Fiscal Stabilization Fund. The majority of this fund (\$39.5 billion) will go to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes. \$5 billion goes to states as bonus grants for meeting key performance measures in education. Important to higher education, \$8.8 billion will be allocated to the states for high priority needs such as public safety and other critical services,

which may include education and for modernization, renovation and repairs of public school facilities and institutions of higher education facilities (public and private).

The State Stabilization Fund replaces the higher education infrastructure component that was included as a separate line item in the House-passed bill. Education construction (both K-12 and higher ed) funds for education proved to be the most controversial item in the entire bill as the Senate moderates who provided the 60 necessary votes were adamantly opposed to it. In the end, however, House Democrats pushed back so hard that more money was added to state stabilization, with a provision allowing a portion of this funding to be used for K-12 and higher education school modernization.

The \$8.8 funding pot mentioned above will flow to the states – higher education modernization is included as an allowable use of these funds. Language in the report states that in awarding these funds, "a governor shall not consider the type or mission of an institution of higher education, and shall consider any institution for funding within the state." This will allow private colleges to compete at the state level for the high-priority needs funds. Realistically, though, private colleges' ability to obtain this funding appears fairly limited given all of the competing interests. However, we will shift our focus to Albany.

### **Scientific Research**

#### National Institutes of Health (NIH)

- \$8.2 billion to the National Institutes of Health for competitive biomedical research grants at the institutes and through the Common Fund. \$1.3 billion to the National Center for Research Resources (NCRR) to renovate university research facilities. This is a one-time infusion of funds, future years subject to the annual appropriations process.
- Initial NIH guidance indicates that stimulus funding will be distributed over two years in three general ways; 1) Funding for existing grant applications from FY08 and FY09 that were deemed "highly scientifically meritorious" but were not funded; 2) Supplements to existing grants to accelerate and/or expand their work, and ; 3) NIH Challenge Grants, a new program aimed at cross cutting research. Formal and specific guidance is expected in the coming days/weeks.

#### National Science Foundation (NSF)

- \$3 billion to the National Science Foundation, including \$2.5 billion for competitive research grants, \$400 million for infrastructure, \$100 million for the Education and Human Resources Directorate. This is a one-time infusion of funds, future years subject to the annual appropriations process.
- Initial NSF guidance indicates that stimulus funds will be used primarily to fund existing proposals that have already been submitted. The NSF does not intend to solicit new proposals and does not anticipate funds to be used to supplement existing awards. Formal and specific guidance expected in the coming days/weeks.

#### Department of Energy's (DOE) Office of Science

- \$1.6 billion for the Department of Energy's Office of Science to fund competitive grants in research areas crucial to our nation's energy future.
- \$400 million for the Advanced Research Project Agency-Energy (ARPA-E) to support high-risk, high-payoff research into energy sources and energy efficiency in collaboration with industry. Both DOE Science and ARPE-E funds are intended to be a one-time fusion of funding. Specific guidance is expected in the coming days/weeks.

#### National Aeronautical and Space Administration (NASA)

- \$1 billion for NASA, including \$400 million to put more scientists to work doing climate change research. Further agency guidance expected in the coming weeks.

National Institutes of Standards and Technology (NIST)

- \$600 million total, with \$180 million for competitive grants for research building construction. Further agency guidance expected in the coming weeks.

The Office of Management and Budget (OMB) on February 18th issued initial implementation guidance to the federal agencies on spending the economic recovery funds. Important to research universities, all initial guidance states that money flowing from the stimulus be specifically geared toward “a short-term stimulus”, will not be “business as usual” – and will be tied to substantially greater reporting requirements such as information on economic impact and the number of jobs created or retained as a result of a research grant. Here is a link to the initial OMB guidance:

[http://www.whitehouse.gov/omb/assets/memoranda\\_fy2009/m09-10.pdf](http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-10.pdf)

### **Higher Education Tax Provisions**

- Creates the new “American Opportunity” Education Tax Credit. For 2009-10, provides a tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. The tax credit is based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. The credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). *This proposal is estimated to cost \$13.907 billion over 10 years.*
- Computers as Qualified Education Expenses in 529 Education Plans. The bill provides that computers and computer technology qualify as qualified education expenses (along with tuition, room & board, fees and books) under Section 529 education savings plans. *This proposal is estimated to cost \$6 million over 10 years.*

### **Health Care Training**

- \$500 million for Title VII and Title VIII health professions training programs for primary care providers, including pediatricians, dentists, nurses, and professionals working in family medicine and internal medicine. Within this total, \$300 million is allocated for the National Health Service Corps (NHSC) recruitment and field activities. The remaining \$200 million is allocated for all the disciplines authorized in Title VII (health professions) and Title VIII (nurse training). The Health Resources and Services Administration (HRSA) will offer formal guidance on how the funds will be distributed in the coming weeks.

### **Teacher Quality Enhancement, State Grants**

- \$100 million for the Teacher Quality State Grants program. The program provides grants to states to improve the quality of the teaching workforce. Among other things, states may use grant funds to reform teacher licensure and certification requirements; provide alternative methods of teacher preparation; and provide alternative routes to state certification.

### **Health Care Information Technology (IT)**

- \$19 billion to facilitate the development of interoperable information technology systems to allow the electronic exchange of patient’s health information. Includes \$17 billion for investments and incentives through Medicare and Medicaid and \$2 billion in discretionary funds.