

## How the new Recovery Package Benefits Nonprofits

### OVERVIEW

The American Recovery and Reinvestment Act (ARRA) includes \$787 billion in spending and tax provisions, of which some \$4.5 billion in new funding is projected to go to Virginia over the next two years. Many programs—tax and spending—could be of assistance to nonprofit organizations. This overview is an effort to review some of the opportunities created by the new law to enhance your mission, either through taking advantage of some of the new tax provisions, advising your clients how they might be directly eligible for some of the assistance, or how to apply either directly to the federal government or the Commonwealth of Virginia. Of the new funds, some will be awarded through local, state, or federal competitive processes, and others through existing formulas. Nonprofits will likely benefit most from increases in federal programs and grants for which they already deliver services, such as through the Children and Families Services Programs, where \$50 million is set aside “for carrying out activities under section 1110 of the Social Security Act.” Currently, this funding is expected to be award largely to nonprofit organizations for capacity-building grants.

Bear in mind, along with this influx of money will come accountability, or monitoring and evaluation, requirements that nonprofits need to be prepared to handle. And remember to read carefully—some of the spending may be contingent on meeting certain conditions. Finally, it will be important for all of us to work together to make sure this new law works. The current slump is a double whammy for nonprofits—sharply increasing needs, while reducing contributions. We all have a stake in working together to make this new law as helpful and constructive as possible.

See [www.stimulus.virginia.gov](http://www.stimulus.virginia.gov) for more information and to share your project proposals. **Virginia’s project proposals are due by March 6, 2009. However, since some program areas of ARRA have different deadlines, citizens and groups can continue to submit requests.** The website will be updated regularly with information on each program as it becomes available. [Grants.gov](http://Grants.gov) is also a good resource for federal grants and programs.

### SERVICE PROVISION ROLE OF NONPROFITS—ALLOCATIONS BY ISSUE AREA

*This list is by no means exhaustive, but it gives an overview of some of the major areas in which nonprofit organizations may compete for funding, or offer advice and assistance to clients. Please reference H.R. 1 for additional details. **If available, estimates of Virginia allocations are noted in bold.***

**Overall:** IRA Charitable Rollover Restored. Older Americans are once again able to contribute directly to public charities from their individual retirement accounts. The IRA Charitable Rollover tax incentive, which is available through 2009, allows individuals aged 70 ½ and older to donate up to \$100,000 from their IRAs and Roth IRAs to public charities without having to count the distributions as taxable income.

**Health:** There are a large number of programs in the new law for health care, including:

1. \$500 million for the special supplemental nutrition program for women, infants and children.
2. \$150 million for the emergency food assistance program, of which up to \$50 million will be available for costs associated with distribution, or administrative costs. Also, the value of food stamps has increased by 13.6 percent, and an additional \$295 million will be made available for expenses associated with administering the supplemental nutrition assistance program, of which \$4.5 million will be available for management and oversight.
3. Existing and new community health centers will receive \$500 million for service provision, plus \$1.5 billion for construction, renovation, and technology improvements.
4. The Director of the National Institute of Standards and Technology, in consultation with the Director of the National Science Foundation and other Federal agencies, will establish multidisciplinary Centers for Health Care Information Enterprise Integration. This program assistance to institutions of higher education—or consortia which may include nonprofit entities

—will be awarded on a merit-reviewed, competitive basis. The purposes of the Centers shall be to generate innovative approaches to health care information enterprise integration by conducting cutting-edge, multidisciplinary research on the systems challenges to health care delivery; and the development and use of health information technologies and other complementary fields.

5. \$650 million to carry out evidence-based clinical and community-based prevention and wellness strategies authorized by the Public Health Service Act, as determined by the Secretary, that deliver specific, measurable health outcomes that address chronic disease rates.
6. \$1 billion for the Prevention and Wellness Fund (includes CDC immunization program and the healthcare associated infection program).
7. Extends the moratoria on the Medicaid regulations (would have shifted about \$100 million of Medicaid costs to the states), that would have gone into effect on April 1, 2009. The Medicaid regulations include targeted case management, provider taxes, school-based services, intergovernmental transfers, graduate medical education and rehabilitation services. The moratoria are extended to 6/30/09.
8. \$100 million for the Senior Nutrition program.
9. \$140 million for Centers for Independent Living in state formula grants for disabled persons to continue living in their communities.
10. Finally, some nonprofits involved with health care issues may be impacted by provisions in relation to FMAP (Federal Medical Assistance Percentages), which deals with Medicaid. **Virginia will receive approximately \$252.6 million** of the total \$15 billion.

**Education:** The new law includes:

1. \$70 million for the Education for Homeless Children and Youth program.
2. \$1 billion for Head Start Act, and \$1.1 billion for the expansion of Early Head Start programs.
3. \$50 million for YouthBuild—the nation’s foremost nonprofit program for training and placing young people in the construction trades.
4. \$53.6 billion for the State Fiscal Stabilization Fund, which will be administered by the Department of Education, of which the Secretary of Education may reserve up to \$650 million to establish an Innovation Fund. **It is estimated that Virginia will receive \$1.2 billion of these funds.** Nonprofits who are engaged in a partnership with one or more local educational agencies or with a consortium of schools will be eligible for these funds.
5. **Virginia will receive an estimated \$10.8 million in Education Technology Grants.**

The new law includes a **total of \$1.6 billion in education funding for Virginia.**

**Housing:** The new law includes \$1 billion for the Community Development Fund (which will remain available until September 30, 2010) to carry out the community development block grant program, **of which Virginia will receive approximately \$16.1 million.** This program provides money to local governments for projects such as housing and services for people hit by hard economic times. These will be competitive grants for which states, local governments and nonprofit organizations are eligible to submit proposals. Priority is given to projects that can award contracts based on bids within 120 days from the date money becomes available to recipients. The Secretary may waive any statute or regulation to expedite use of funds where necessary (except for fair housing, non-discrimination, and labor and environmental standards).

There is \$2.25 billion that will be allocated through the HOME program as gap funding for stalled housing development projects subsidized by Low Income Housing Tax Credits. These funds will be distributed competitively according to the program formula. Projects with 2007, 2008, 2009 LIHTC awards are eligible, and projects that are expected to be completed within 3 years of the stimulus bill’s passage will be given priority. States must allocate 75% of funds within 1 year, and recipients must spend 75% of the funds within 2 years and 100% within 3 years. HOME program restrictions do not apply, but state LIHTC requirements do. These grants will not reduce the eligible basis for the project.

There is \$4 billion for repairs and redevelopment of public housing through HUD. Of this amount, \$3 billion will be distributed by formula to public housing authorities, and \$1 billion will be available

through competitive applications. **Estimates show that Virginia will receive approximately \$50.9 million for public housing.**

\$2 billion has also been allocated for the Neighborhood Stabilization Program for acquisition and redevelopment of vacant, foreclosed properties.

Finally, there is a low-income housing tax credit (LIHTC) exchange provision that allows states to exchange credits for grant funds. States may exchange 40% of 2009 tax credits and 100% of prior year tax credits. The exchange rate is 85 cents per dollar. Recipients must demonstrate good faith efforts to obtain investment commitments. State LIHTC program requirements apply to awardees. These grants will not reduce the eligible basis of a project. Grants will not be counted as taxable income to recipients. Funding for any awards not made by January 1, 2011, will be returned to the Treasury.

**Virginia will receive \$44.2 million from HUD for the Tax Credit Assistance Program (TCAP). Additionally, Virginia will receive \$1.4 million for the Lead Hazard Reduction program.**

**Women and Children:** The bill provides \$225 million for Violence Against Women Prevention and Prosecution Programs, of which \$50 million will be for transitional housing assistance grants. States will also receive \$2 billion for payments to states for the Child Care and Development Block Grant. The law stipulates that these funds be used to supplement, not supplant, State general revenue funds for child care assistance for low-income families.

**Technology:** The recovery package includes a provision that establishes a national broadband service development and expansion program in conjunction with the technology opportunities program, called the "Broadband Technology Opportunities Program." This program will be spearheaded by the Assistant Secretary of Commerce for Communications and Information, in consultation with the Federal Communications Commission. The purposes of this program are: (1) to provide access, or improved access, to broadband service for consumers residing in underserved areas of the United States; (2) to provide broadband education, awareness, training, access, equipment, and support to schools, healthcare providers, organizations, and other relevant entities listed in the bill; (4) to improve access to, and use of, broadband service by public safety agencies; and (5) to stimulate the demand for broadband, economic growth, and job creation. Nonprofit organizations, including foundations and associations are eligible to apply.

**Community Service Programs:** (1) The Corporation for National and Community Service (CNCS) will receive \$160 million for operating its various community service programs, including \$89 million for additional awards to existing state and national AmeriCorps grantees; \$65 million for VISTA, and \$6 million for CNCS technology upgrades. (2) There will be \$120 million for the community service employment for older Americans program, which provides stipends for senior citizens who volunteer. (3) The National Service Trust—which funds AmeriCorps education awards—will receive \$40 million.

**Employment, Job Training and Homeless:** (1) There will be \$750 million for competitive grants for worker training and placement in high growth and emerging industry sectors, provided that \$500 million be used for research, labor exchange and job training projects that prepare workers for careers in energy efficiency and renewable energy. (2) \$250 million will be allocated for the Office of Job Corps. (3) The Homelessness Prevention Fund (HPF) will receive \$1.5 billion for homelessness prevention and rapid re-housing activities, which shall be used for: a) the provision of short-term or medium-term rental assistance; b) housing relocation and stabilization services, including housing search, mediation or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance, and case management; c) or other appropriate activities. **Virginia will receive an estimated \$24.8 million for the HPF.**

**Environment and Energy:** (1) \$16.8 billion for Energy Efficiency and Renewable Energy. (2) \$3.4 billion for Fossil Energy Research and Development. (3) \$483 million for "non-defense Environmental

Cleanup.” (4) An additional \$1.6 billion for “science.” (5) \$2.25 billion for an Energy Retrofit Program, of which \$2 billion will be allocated for 12-month funding of project-based Section 8 contracts and \$250 million for just energy retrofit funds. The funds will be available to 202, 811 and 236 properties with project based Section 8 and will be administered by the Office of Affordable Housing Preservation of HUD (OAHP). As a condition of getting the funds, the owner must maintain and preserve the property and have at least a “satisfactory management review rating.” Owners must agree to continue to operate as affordable housing for another 15 years. The funds must be spent within 2 years. The Secretary has waiver authority to expedite use of these funds.

**Poverty and Low-Income, Overall:** The bill provides \$1 billion for the Community Services Block Grant (CSBG), and increases the income-eligibility levels for CSBG beneficiaries from 125 percent of the federal poverty level to 200 percent. The goal of the CSBG program is to assist the needs of low-income individuals by providing a range of services and activities to address issues such as employment, education, better use of available income, housing, nutrition, emergency services and health.

**Arts and Museums:** The National Endowment for the Arts will receive \$50 million in grants for arts projects and activities that preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn. Forty percent of these funds will be distributed to state arts agencies and regional arts organizations, and 60 percent to arts projects selected by competition. Reports by arts advocates have estimated that the funding could save as many as 14,000 jobs in the nonprofit sector. Additionally, the Smithsonian Institution will receive \$25 million to help repair existing facilities.

**Other: Tax Exempt Bond Provisions for capital financing:** The rules for “bank qualified bonds”—bonds issued to 501c3 organizations at lower interest rates and instead of a public offering, have been changed. Under current rules, a “qualified small issuer” eligible for favorable interest rates has to be a governmental entity, and it can only issue a total of \$10 million in tax-exempt bonds for itself and 501(c)(3) organizations. The bill now provides that for 2009 and 2010, the amount available for each 501(c)(3) entity is \$30 million (the governmental entity still issues and distributes the bond, but the requirement to aggregate all bonds has been eliminated). This change should dramatically increase the availability of bank qualified bond financing to more bond issuers and 501(c)(3) borrowers.

### **ADVISORY ROLE OF NONPROFITS, ALLOCATIONS BY ISSUE AREA**

*In addition to programs where nonprofits might be directly eligible for assistance under the new law, there are numerous provisions in the new law that will affect nonprofit clients. This section is intended to provide information on changes in the law affecting health care, unemployment, shelter, transportation, and the elderly that will be important in serving your clients.*

**Health:** COBRA coverage has been extended. The 1985 legislation that requires companies to provide most employees the opportunity to continue their health insurance after leaving the company, today, tends to cost about \$1,000 per month. To help people afford this cost, this bill will allow the federal government to subsidize 65% of that Cobra premium for up to nine months for those who have been forced out of their jobs between September 1, 2008, and December 31, 2009. Individuals who make more than \$125,000 or married couples filing jointly who make more than \$250,000 are not eligible. If you lost your job after September 1, 2008, and declined Cobra coverage, you will have the opportunity to reverse your decision. Employers are responsible for the 65% share of the payment; however, it is reimbursed by Department of the Treasury. Employers will claim any payments made as a tax credit when filing Form 941 for the applicable period. Payments are treated as a deposit of payroll taxes. Departments of the Treasury and Labor will be issuing further clarifying instructions.

**Jobs:** Extension of Emergency Unemployment Compensation. Employers are not liable, and payments will be made from general funds of the Treasury. Income Tax Credit: In 2009 and 2010, there will be a tax

credit of up to \$400 for individuals and \$800 for married couples filing jointly. Unemployment Tax Waived in 2009: In 2009, those receiving federal unemployment benefits will not have to pay taxes on the first \$2,400 they receive.

**Housing:** First-time Home Buyer Tax Credit. First-time home buyers who purchase their homes between January 1, 2009, and December 1, 2009, will be eligible for a refundable tax credit equal to 10% of the purchase price of their home, up to \$8,000. However, if you sell your home within three years, you forfeit the credit. Also, the credit phases out for individuals with incomes over \$75,000 or married couples with incomes over \$150,000 who file jointly. **Additionally, Virginia will receive approximately \$33.1 million for HUD's Project Based Rental Assistance (PBRA) program.**

**Transportation:** Transit Accounts (pretax). Similar to the concept of health savings accounts created in 2003, your employer will allow you to set aside up to \$230 per month from your paycheck for your commute to work if you use public transportation.

**Education:** Higher Education Tax Credit. If you spend more than \$4,000 in a single year on college tuition, you will be eligible to receive up to a \$2,500 tax credit for the cost of college tuition and other related expenses in 2009 and 2010. The credit begins to phase out if your adjusted gross income is greater than \$80,000, for individuals, and \$160,000 for married couples filing jointly. Pell Grants for low-income students will increase by \$500, to \$5,350 in 2009 and \$5,550 in 2010. **Virginia will receive about \$450.5 million of the funding allocated for Pell Grants.** In 2009 and 2010—in addition to using money withdrawn from a 529 college savings plan for tuition, room, board, books and related expenses—families will also be able to use the money for computers and computer technology.

**Seniors and Disabled:** Social Security Tax Credit: In 2009, many retirees and disabled people will receive a \$250 refundable tax credit within 120 days of the bill's signing. Eligible recipients include adults who were eligible for Social Security benefits, Railroad Retirement benefits, or veteran's compensation or pension benefits; or individuals who were eligible for Supplemental Security Income (SSI) benefits (excluding individuals who receive SSI while in a Medicaid institution). Only individuals who were eligible for one of the four programs for any of the three months prior to the month of enactment will receive the \$250. Individuals who are otherwise eligible will not receive a payment if their federal program benefits have been suspended because they are in prison, a fugitive, a probation or parole violator, have committed fraud, or are no longer lawfully present in the United States. If an individual who is eligible for the \$250 has a representative payee, the payment shall be made to the representative payee and the entire payment shall only be used for the benefit of the individual who is entitled to the \$250. The \$250 will not be taken into account as income, or taken into account as resources for the month of receipt and the following 9 months, for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds. The \$250 will not be considered gross income for income tax purposes and that the payments are protected by the assignment and garnishment provisions of the four federal benefit programs.

**Technology:** \$650 million in additional funding for coupons to purchase digital television converter boxes. Approximately 6 million Americans will lose television reception when digital broadcasting becomes mandatory in June unless they purchase converter boxes for their analog televisions or sign up for cable or satellite service.

**MILESTONES** *(from recovery.gov)*

**February 19:** Federal Agencies to begin reporting their formula block grant awards

**March 3:** Federal Agencies to begin reporting use of funds

**May 3:** Federal Agencies to make Performance Plans publicly available

**May 3:** Federal Agencies to begin reporting their allocations for entitlement programs

**May 15:** Detailed agency financial reports to become available

**May 20:** Federal Agencies to begin reporting their competitive grants and contracts

**July 15:** Recipients of Federal funding to begin reporting on their use of funds