
Federal Job Creation Proposals

**Presentation to the
Senate Budget & Taxation Committee
House Appropriations Committee
House Economic Matters Committee
House Ways & Means Committee**

**Department of Legislative Services
Office of Policy Analysis
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American Jobs Act of 2011

- **Four main components:**
 - Tax relief for workers and businesses;
 - Job retention of teachers and first responders;
 - Job creation through investing in infrastructure; and
 - Assistance for the unemployed

Tax Relief

- **Employees**

- For calendar 2012, reduces the Social Security payroll tax from 6.2% to 3.1%. In calendar 2011, a reduced rate of 4.2% is in effect.

- **Employers**

- For calendar 2012, reduces the payroll tax from 6.2% to 3.1% on first \$5 million of payroll (affects 98% of U.S. firms).
- For final quarter of 2011 and for calendar 2012, provides a tax credit to fully offset the payroll tax on wages that exceed the amount of wages paid in the corresponding period the prior year on up to \$50 million of increased wages.

Other Relief for Businesses

- Extends 100% deduction of the cost of qualified property through end of 2012. This rate is in effect in 2011 but is scheduled to drop to 50% in 2012.
- Increases from \$2 million to \$5 million the size of contract surety bonds that the Small Business Administration can guarantee. This provision sunsets September 30, 2012.
- Delays until after January 1, 2014, the effective date of the requirement that federal, state, and local government entities withhold at a 3% rate from payments to persons providing certain property or services.

Job Retention

- **Teachers** – Provides \$30 billion for the purpose of preventing teacher layoffs and creation of additional jobs in public early childhood, elementary, and secondary education.
 - States may reserve up to 10% of their grants for state-funded preschool programs.
 - Remaining funds must be distributed to local education agencies (LEAs) and are limited to use to retain existing employees, rehire former employees, or hire new employee.
- **First Responders** – Provides \$5 billion for states and localities to prevent layoffs and support creation of additional jobs for law enforcement and other first responders.
 - Funds will be distributed by competitive grants administered by the Departments of Justice and Homeland Security with funds available in fiscal 2012.

Job Creation – Infrastructure Investment

- **School modernization** – \$25 billion to assist in the modernization, renovation, and repair of elementary and secondary school buildings in public school districts.
 - 40% of funding shall be allocated to the 100 LEAs with the largest number of children ages 5 to 17 living in poverty.
 - Remaining funds will be allocated based on the state share of Title I grants to LEAs for fiscal 2011 less any funding received under the poverty guidelines.
- **Community college modernization** – \$5 billion to assist in the modernization, renovation, and repair of existing facilities.
 - State allocations will be based on their share of community college enrollment.

Job Creation – Infrastructure Investment (continued)

- Provides \$50 billion for transportation projects as follows:

<u>Purpose</u>	<u>Amount (in Billions)</u>
Airport development	\$2.0
Federal Aviation Administration air navigation facilities and systems	1.0
Highways	27.0
Intercity passenger rail network and high speed rail corridors	4.0
Amtrak	2.0
Transit capital projects	3.0
Fixed guideway systems, buses, and bus facilities	6.0
Competitive awards for projects across all surface transportation modes that will have a significant impact on the nation, a metropolitan area, or region	5.0

Job Creation – Infrastructure Investment (continued)

- Establishes the American Infrastructure Authority to provide direct loans and loan guarantees for infrastructure projects of regional or national significance
- Project Rebuild – provides \$15 billion for the rehabilitation and refurbishing of vacant and foreclosed homes and businesses
- National Wireless Initiative – provides \$10 billion to develop and deploy a nationwide interoperable wireless network for use by first responders and other public safety uses (\$200 million will go to states and locals to help plan and implement the network).

Assistance to the Unemployed

- Veterans Hiring Preference tax credit.
- Extension of Emergency Unemployment Compensation (EUC) and Extended Benefits to January 2013.
- Provides \$200 per eligible individual for states to provide reemployment and eligibility assessment services.
- Provides \$700 million for Short-time Compensation Programs in which employees receive partial unemployment insurance benefits to help compensate for reduced hours when employers use reduced hours to avoid employee layoffs.

Assistance to the Unemployed

(Continued)

- Reemployment NOW Program – provides \$4 billion for the Secretary of Labor to establish and administer a program to facilitate reemployment of individuals receiving EUC to include:
 - Bridge to work programs
 - Wage insurance programs
 - Enhanced reemployment services
 - Self-employment assistance programs
- Pathways Back to Work – provides \$5 billion 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.

Impacts on Maryland

- Maryland could receive nearly \$1.6 billion as follows:

	<u>\$ in Millions</u>
Infrastructure (Capital)	
Transportation	\$625.0
School Modernization	315.8
Community Colleges	93.9
Community Revitalization	<u>20.0</u>
	\$1,054.7
Teacher/First Responders Retention (Operating)	541.0
Total	\$1,595.7

Impacts on Maryland

(Continued)

- 110,000 firms will receive payroll tax cut.
- Transportation infrastructure and school modernization funding will support 12,200 jobs.
- Unemployment Insurance reforms could help put 90,000 long-term unemployed workers back to work.
- Extension of unemployment benefits will prevent 17,600 people from losing their benefits in just first 6 weeks.
- Pathways Back to Work could place 1,700 low-income unemployed adults and 8,300 low-income youth into jobs.
- A typical household with a median income of around \$64,000 will receive a tax cut of around \$1,980.

Status of the Act

- A version of the President's proposal recently failed in the U.S. Senate
- Provisions of the Act are likely to be taken up in other forms in the weeks ahead.

Source

- White House briefing materials

Republican Jobs through Growth Act

- **Spending Reforms**
 - Require a balanced budget amendment to the Constitution
 - Enact statutory line item veto authority
- **Tax Reform**
 - Top rates of 25% for individual and corporate income tax
 - Encourage repatriation of foreign earnings of American companies
 - End required governmental withholding of 3% from payments to vendors
- **Regulation Relief**
 - Repeal Affordable Care Act
 - Repeal Dodd-Frank
 - Cap Malpractice awards
 - Various limits on mandates and powers of federal regulatory agencies
- **Promotes Domestic Energy Production**
 - Expedites permitting
 - Limits powers of EPA
- **Renew Fast-Track Process for Trade Agreements**

Source: http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=feb4d840-c3be-83b1-a1fb-b7f2a039e94d