Department of the Treasury
American Recovery and Reinvestment Act Agency Plan

The Department of the Treasury plays a critical role in the implementation of the American Recovery and Reinvestment Act (ARRA). Being in a position to quickly provide targeted investments and implement important tax provisions to benefit both businesses and individuals, the Department provides a key financial link for enabling economic recovery. The Department's initiatives involve implementing tax provisions that affect almost all Americans, with specific measures providing direct relief to low-income and vulnerable households. Other provisions administered by the Department include one-time payments intended to help retirees and individuals with disabilities meet living expenses, grants and tax credit exchange designed to get Americans back to work, provide affordable housing, and make available alternative energy sources. The goal of these programs is to provide a stimulus to the U.S. economy that will help create and sustain jobs and build the foundation for long-term economic growth.

Funding table

Tax Provisions and Credits

Program	Bureau	Activity	Expected Outlays (in $millions)
Tax Provision Implementation	Internal Revenue Service	Implementing tax provisions	108,019
New Markets Tax Credit	Community Development Financial Institutions	Non-refundable tax credit	NA__--

Grants/Payments/Services/Oversight Programs

Program	Bureau	Activity	Program Funding (in $millions)
Cash Assistance to States in Lieu of Low-Income Housing Tax Credits	Departmental Offices	Cash Assistance in lieu of tax credits	5,400
Cash Assistance for Specified Energy Property in Lieu of Tax Credits	Departmental Offices	Cash Assistance in lieu of tax credits	3,600
IRS Administrative expenses to implement Recovery Act tax provisions	Internal Revenue Service	Administrative expenses	123

Program	Bureau	Activity	Program Funding (in $millions)
CDFI Financial Assistance	Community Development Financial Institutions	Grants	90
Health Insurance Tax Credit Administration	Internal Revenue Service	Tax credit administration service	80
Native American CDFI Assistance (NACA)	Community Development Financial Institutions	Grants	8
Tax Provision Oversight	Treasury Inspector General for Tax Administration	Oversight	7
Disbursing Economic Recovery Act Payments	Financial Management Service	Payments	6
CDFI administrative expenses to implement Recovery Act programs	Community Development Financial Institutions	Administrative expenses	2
DO admin administrative expenses to implement Recovery Act programs	Departmental Offices	Administrative expenses	1
Total			9,317

The Department makes every effort to announce, obligate and disburse Recovery Act funds and implement tax provisions and credits in a timely fashion, enabling the benefits to flow to the American people as quickly as possible.

Program descriptions

Treasury's Recovery Act programs include grants, tax incentives, payments in lieu of tax credits, oversight of tax administration and contracts to administer the act. In total, these initiatives are expected to provide $150 billion in economic benefit for the American economy and speed the path to recovery. Treasury's nine programs include:

1) Community Development Financial Institutions (CDFI) Program
2) Native American CDFI Assistance (NACA) Program
3) New Markets Tax Credit (NMTC) Program
4) Economic Recovery Act Payments
5) Tax Provisions Program
6) Health Insurance Tax Credit Administration Program
7) Tax Provision Oversight*
8) Cash Assistance to States in Lieu of Low-Income Housing Tax Credits

9) Cash Assistance for Specified Energy Property in Lieu of Tax Credits
*The program plan for Tax Provision Oversight is reported separately with other Inspector General ARRA program plans.

Program highlights:

1) Community Development Financial Institutions (CDFI) Program

Through the CDFI Program, the CDFI Fund makes grants, loans, and other investments to certified CDFIs (community banks, credit unions, loan funds and venture capital funds) in support of the following program objectives:

1. Support the sustainability and growth of CDFIs by providing a source of low-cost capital to these organizations;

2. Increase the availability of affordable credit and the provision of financial services to individuals in low-income communities or serving underserved populations;

3. Revitalize low-income communities by developing or supporting, through lending, investing, enhancing liquidity, or other means of finance: (1) commercial facilities that promote revitalization, community stability or job creation or retention; (2) businesses that provide jobs for or are owned by low-income persons; (3) affordable housing that facilitates home ownership; and (4) other community and economic development activities.

The Recovery Act provided $90 million for the CDFI Program. These resources enabled the CDFI Fund to increase its grant awards to $2 million, and increase the number of high quality CDFIs from Fiscal 2008 to Fiscal 2009 by 83 percent .

2) Native American CDFI Assistance (NACA) Program

Through the NACA Program, the CDFI Fund makes grants, loans, and other investments to CDFIs (community banks, credit unions, loan funds and venture capital funds) that deploy the funds in Native American communities or to Native American populations. The NACA Program supports the following objectives:

1. Support the sustainability and growth of Native American CDFIs by providing a source of low-cost capital to these organizations;

2. Increase the availability of affordable credit and the provision of financial services to Native American individuals and communities;

3. Revitalize Native American communities by developing or supporting, through lending, investing, enhancing liquidity, or other means of finance: (1) commercial facilities that promote revitalization, community stability or job creation or

retention; (2) businesses that provide jobs for or are owed by Native American persons; (3) affordable housing that facilitates home ownership; or (4) other community and economic development activities.

The Recovery Act provided $8 million for the NACA Program. These resources enabled the CDFI Fund to increase the size of grant awards from $650,000 to $900,000, and enabled the CDFI Fund to make additional awards to high-quality Native American CDFIs.

3) New Markets Tax Credit (NMTC) Program

The New Markets Tax Credit (NMTC) Program facilitates investment in low-income communities by permitting taxpayers to receive a credit against Federal income taxes for making Qualified Equity Investments (QEIs) in Treasury-certified Community Development Entities (CDEs). Substantially all of these QEI dollars must in turn be used by the CDE's to make loans and investments in businesses and real estate developments in low-income communities.

There are several goals to which the NMTC Program is directed:

1. Increase the flow of equity capital into entities financing businesses and real estate projects in low-income communities;

2. Provide capital to low-income community businesses and real estate projects at better rates and terms than would otherwise be available in the marketplace; and

3. Provide jobs, and other goods and services, to residents of low-income communities.

The Recovery Act provided an additional $3 billion of NMTC investment authority. Of this amount, $1.5 billion was made available to CDEs that had applied and scored highly through the 2008 NMTC allocation round but did not receive an allocation; and $1.5 billion was added to the NMTC investment authority authorized through the 2009 application round. With the additional $3 billion in Recovery Act allocation authority, the CDFI Fund was able to increase the volume of NMTC investments in low-income communities by 30 percent and make NMTC awards to 56 additional CDE's, helping to support economic development projects in more locations across the country.

4) Economic Recovery Act Payments

The Department of the Treasury's Financial Management Service (FMS) issued one-time payments of $250 to retirees, disabled individuals and Supplemental Security Income recipients receiving benefits from the Social Security Administration, Railroad Retirement Board or U.S. Department of Veterans Affairs. FMS issued more than 55.2 million payments, totaling over $13.8 billion to beneficiary recipients. FMS processed approximately 46.5 million electronically, saving taxpayers over $17 million. The law requires the Department of the Treasury to offset one-time payments as necessary for collection of delinquent child support or debts owed to state and federal agencies.

5) Tax Provision Implementation Program

The Recovery Act includes 30 specific tax provisions providing $288 billion in tax relief to households and businesses intended to reduce tax burden during a time of economic stress and spur economic growth. The provisions range from individual credits to renewable energy and energy conservation incentives, tax incentives for businesses and tax benefits for specified state and local government bonds. The most prominent provisions include:

- *Energy Efficiency and Renewable Energy Incentives*. Energy users and producers who utilize renewable energy sources or improve energy efficiency may be eligible for tax incentives.

- *"Making Work Pay" Tax Credit*. The credit provides $400 to $800 for many Americans through reduced payroll withholdings.

- *First-Time Homebuyer Credit Expansion*. Homebuyers who purchase in 2009 can get a credit of up to $8,000 with no payback requirement.

- *Money Back for New Vehicle Purchases*. Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes they paid.

- *Enhanced Credits for Tax Years 2009, 2010*. Includes enhancements to the earned income tax credit, additional child tax credit and a new American Opportunity Credit for higher education.

- *Build America Bonds*. State and local governments will more readily be able to finance school construction, energy and other public projects through issuance of tax exempt bonds.

- *Increased Transportation Subsidy*. Employer-provided benefits for transit and parking are increased in 2009.

- *Up to $2,400 in Unemployment Benefits Tax Free in 2009*. Additional benefits for those who have lost their jobs due to the recession.

- *Net Operating Loss Carryback for Small Businesses*. Small businesses can offset losses by getting refunds on taxes paid up to five years ago.

- *COBRA: Health Insurance Continuation Subsidy*. Provides expanded health insurance coverage for unemployed workers.

- *Tax credits of $250 for Social Security Recipients, Veterans and Railroad Retirees*. Provision of one-time tax credits for certain government retirees who are ineligible for Social Security benefits.

Administration of these tax provisions requires preparation of IRS systems and products to enable taxpayers to take advantage of the tax provisions in a timely manner and as they become available. The Recovery Act provides $123 million to administer these tax programs.

6) Health Insurance Tax Credit Administration Program

The Health Coverage Tax Credit (HCTC) was created to help workers and retirees who lost their jobs due to economic factors associated with free trade agreements (e.g., the North America Free Trade Agreement) receive affordable health care. The program provides a monthly advance or refundable tax credit for 65 percent of the cost of qualified insurance. HCTC is administered by the IRS with the Department of Labor (DOL), state workforce agencies and the Pension Benefits Guaranty Corporation (PBGC) determining eligible HCTC recipients.

The Recovery Act changed the HCTC in several ways including:

- Increasing the portion of health premiums paid by the government from 65% to 80% (beginning April 2009)
- Reimbursing premiums paid while enrolling in the monthly HCTC Program (beginning August 2009)
- Allowing family members to continue receiving the HCTC after certain life events (beginning January 2010)
- Expanding eligibility to more people (beginning May 2009)

Prior to the Recovery Act, the IRS estimated that the number of potentially eligible individuals in any given month would be approximately 300,000, an increase over prior years due to the overall economic downturn. With the passage of the Recovery Act, that estimate is now approximately 570,000 individuals. Funding under the Recovery Act will enable the IRS to update systems and products for implementation of the credit and expand capacity to provide easy access and reduce burden for eligible recipients.

7) Tax Provision Oversight

The Internal Revenue Service (IRS), in managing tax collection and provision of tax credits, has a substantial role in the successful implementation of the Recovery Act. The Treasury Inspector General for Tax Administration (TIGTA), in its oversight role of the IRS, has been tasked with monitoring and evaluating the IRS's administration of Recovery Act programs, grants, contracts, and funding. TIGTA's oversight role, as an extension of its customary oversight duties, includes accounting for IRS monies expended, pursuing those who seek to defraud the Government, holding Government officials accountable for administering Recovery Act funds and conducting program analysis which contributes to program transparency. TIGTA will receive $7 million in funding over five fiscal years (2009 – 2013), largely to cover related salary and administrative expenses.

8) Cash Assistance to States in Lieu of Low-Income Housing Tax Credits

Under current law, taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These tax credits help attract private capital to invest in the construction, acquisition, or rehabilitation of qualified low-income housing buildings. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the Recovery Act allows States to receive cash assistance from the Treasury Department in lieu of tax credits. Under this provision, State housing agencies receive funds up to 34 percent (85 percent of 40 percent) of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The State uses the funds to make sub-awards subject to the same requirements (including rent, income, and use restrictions) as the low-income housing tax credit allocations. The program applies to each state's 2009 low-income housing credit allocation.

9) Cash Assistance for Specified Energy Property in Lieu of Tax Credits

Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the Recovery Act allows taxpayers to receive funding from the Treasury Department in lieu of tax credits. This fundingl operates like the current-law investment tax credit. The Treasury Department issues a funding in an amount equal to 30 percent of the cost of the renewable energy facility within sixty days of the facility being placed in service, or within sixty days of receiving an eligible application.

Delivery Schedule of Major Benefits

Activity	**Completion Date**
Complete all required activities to implement Individual Credits for 2009 filers	March 31, 2009
Complete all required activities to implement Premium Assistance for COBRA Benefits	March 31, 2009
Expand Health Insurance Tax Credit Administration	April, 2009
Social Security Administration and Supplemental Security Income Payments	May 7 - 28, 2009
Railroad Retirement Board Payments	May 28, 2009

Activity	**Planned Completion Date**
Announce $1.5 billion in Recovery Act allocation awards for Community	May 31, 2009

Development Entities from the 2008 NMTC allocation round	
Award the $90 million in Recovery Act CDFI Program funds	June 30, 2009
Award the $8 million in Recovery Act NACA Program funds	June 30, 2009
Veterans Affairs Payments	June 9, 2009
Begin disbursing awards to states for low income housing projects	June 2009
Begin disbursing awards for specified energy property in lieu of tax credits	July 2009
Provide allocation agreements to the Community Development Entities from the 2008 NMTC allocation round	June 30, 2009
Provide award agreements and disburse awards to the CDFI Program awardees	July 31, 2009
Provide award agreements and disburse awards to the NACA Program awardees	July 31, 2009
Announce the $5 billion in NMTC allocation awards (including the $1.5 billion in Recovery Act awards) for Community Development Entities from the 2009 NMTC allocation round	October 15, 2009
Provide allocation agreements with the Community Development Entities from the 2009 NMTC allocation round	November 15, 2009
Complete all required activities to implement Renewable Energy and Energy Conservation Incentives	December 31, 2009
Complete all required activities to implement Tax Incentives for Business	December 31, 2009
Complete all required activities to implement the various Bond Incentives related to Economic Recovery	December 31, 2009
Complete all required activities to implement Individual Credits for 2010 filers	December 31, 2009

Monitoring and Evaluation to Achieve Transparency and Accountability

Treasury monitors and reviews several items including percent on-time performance for project activities, obligations and outlays versus plan, acquisition competition and contract types, performance measure actual values versus targets, and accountability metrics monthly with bureau and Senior-accountable officials. Corrective and/or preventive actions that are established as a result of the reviews are tracked for implementation. Risk factors are reviewed and mitigation strategies are implemented to minimize the probability of fraud and abuse. Each program is assessed for the level of risk associated with its activities, and the impact of those factors should they occur. The department keeps the public informed through both agency and bureau websites and press releases, and monitors timely submissions to both Recovery.gov and Treasury.gov Recovery Act web page.

Additionally, the Department monitors and/or estimates recipient benefit information to determine the extent to which Recovery Act benefits are reaching the American people. Recipient information is treated as outcome indicators as opposed to performance measures with set targets since many of these benefits are voluntary.

Acquisition of Products or Services to Administer the Act

Competition on Contracts

The Department of the Treasury strongly advocates use of competition in all of its acquisitions. The Department competed an average of 76% of contracting dollars obligated during FY 06-08 (higher than the corresponding federal average of 64%) and 78.4% in FY09.

Treasury has competed 93% of Recovery Act contract actions awarded to date. Of 37 actions ($77.2 million) currently projected, 28 have been awarded for a total of $72.3 million in obligations. Of the dollars obligated, $71.6 million were competed. Treasury anticipates we will exceed our original aggregate projection of 83% competition of Recovery Act contract actions.

- Treasury Average Competition FY 2006-2008: 76% / FY2009: 78.4%
- Treasury Recovery Act Competition to Date: 93%
- Projected Treasury Recovery Act Aggregate Competition: > 83%

The Department has established and deployed Treasury-wide ARRA procurement transparency, planning, control and reporting models. The models focus on driving competition, firm fixed pricing and socio-economic participation as well as efficiency and effective management of contract performance.

The projections and other information provided herein are based on data available to the Department through May 24, 2010.

Treasury currently is working to ensure compliance with the Office of Management and Budget (OMB) mandate to reduce high risk contracts, including non-competitive and non-fixed price contract actions, by 10% in FY2010.

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Contract type (excludes contracts under grants)

The Department of Treasury promotes maximum use of fixed price contracts. The Department executed firm fixed price (FFP) actions for an average of 52% of contracting dollars obligated during FY 06-08. This average includes only FFP actions and excludes FFP derivatives, such as FFP with Economic Price Adjustment. FFP derivative actions awarded and/or projected for ARRA contract obligations are marginal.

Approximately 4.5% of Recovery Act contract actions awarded to date were FFP, to include one FFP derivative action of minimal value. Of 37 actions ($77.2 million) currently projected, 28 have been awarded for a total of $72.3 million in obligations. Of the dollars obligated, $3.2 million were FFP.

The Department has adjusted its initial FFP projection of 10% to 4.4% of aggregate ARRA obligations. This adjustment is based on changes in ARRA funding available for Treasury contract obligations and other information not available or anticipated at the time of our initial plan. Treasury continues to award the maximum possible ARRA dollars as FFP.

It should be noted that ARRA actions include a single transaction of $70M; $66.7 million has been obligated to date with 0.8% of the obligation FFP. The transaction is an increase to an existing Task Order under the Treasury Information Processing Support Services (TIPSS) contract, which provides Treasury-wide support services to the Department's information systems. This transaction is primarily cost plus fixed fee (CPFF).

Excluding that action, the Department anticipates 46% of dollars to be firm fixed price.

It is estimated that over 90% of ARRA dollars will be placed against existing contracts, with the remainder going to new actions. A projected 92% of total ARRA dollars will be spent on one-time actions supporting the Act.

More than 85% of total ARRA dollars will be used to support updates of automated systems to implement ARRA changes to the tax code, with most to be procured against existing cost-type contracts that were structured and awarded for the specific purpose of system implementation of legislative changes, such as those required by ARRA.

Typically, this type work cannot be defined in a way to enable use of a fixed price contract vehicle. The $70M non-FFP action referenced above is included in this category.

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Plan to Increase Use of Fixed Price Contracts

Treasury has been limited in its ability to increase use of fixed pricing given the nature and timelines for ARRA requirements. Most of the ARRA funding supports one-time actions subject to short, mandatory deadlines and not conducive to fixed pricing. Establishment and execution of a quarterly strategy to increase usage has not been feasible.

As stated above, the Department has established and deployed Treasury-wide ARRA procurement transparency, planning, control and reporting models. The models focus on driving competition, firm fixed pricing and socio-economic participation as well as efficiency and effective management of contract performance. Fixed pricing is used to the maximum extent possible.

National Environmental Policy Act Compliance and Federal Infrastructure Investments

The funding provided to Treasury to implement the provisions of the Recovery Act has no identifiable issues with the *National Environmental Policy Act*, the *National Historic Preservation Act*, or any Federal Infrastructure investments.