



AMERICAN COUNCIL OF ENGINEERING COMPANIES

# **The Impact of the New Administration's Legislative Priorities on the Engineering Community**

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# Administration Priorities

- **Economic Stimulus and Recovery**
  - Infrastructure Investment
  - Job Growth
  - Financial Restructuring
  - Restoring Global Trade
- **Energy and Climate Policy**
- **Health Care**
- **Education Enhancement**

**The Engineering Community is Impacted by All**

# Administration Governance Approaches

- **Increased Transparency/Accountability**
- **Greater Oversight/Government Forces**
- **Full and Open Competition**
- **Competitive Procurement**
- **Fixed-Price Contracts**
- **Cost-Benefit Analyses**
- **Distributional Fairness**
- **Limiting Outsourcing/Inherently Governmental Functions**

**The Engineering Community is Impacted by All**

# Pluses and Minuses

## **Pluses:**

- **Increased Infrastructure Spending**

## **Minuses:**

- **Rushed Spending May Limit Design**
- **Business Restrictions (oversight, taxes, etc.)**
- **Unionization**
- **Increased "Insourcing"**

## ***Infrastructure Related Economic Stimulus***

- **Disbursed to State and Local Governments by the American Recovery and Reinvestment Act of 2009:**
  - **\$27.5 billion for Roads and Bridges: \$8.25 billion sub allocated to metropolitan areas by population. States must obligate 50% of the funds within 120 days (localities not constrained) the balance within a year.**
  - **\$1.5 billion for DOT discretionary grants (highways, bridges, transit, rail, ports, and intermodal connectors.**
  - **\$8.4 billion for Transit projects: \$6.9 billion for capital projects. States and local agencies must obligate 50% of the funds within 180 days, the balance within two years.**
  - **\$1.3 billion for Aviation.**
  - **\$9.3 billion for Passenger Rail.**

## ***Economic Stimulus (cont.)***

### **Disbursed to State and Local Governments:**

- **\$4 billion for Wastewater and \$2 billion for Drinking Water; 50% of the funds to be obligated within 1 year, balance within 2 years; also, 50% of the funds must be used for loan forgiveness, negative interest loans, or grants.**
- **\$100 million for “Brownfields” remediation.**
- **\$3.2 billion for Energy Efficiency and Conservation and \$3.1 billion for Energy Efficiency and Renewable Energy.**
- **\$53.6 billion for Education: ~\$ 7 billion for repair, modernization, or renovation of teaching facilities**
- **\$25 billion in school construction bonds (non-interest bearing)**

## ***Economic Stimulus (cont.)***

### **Direct Federal Projects Spending:**

- **\$4.6 billion for the USACE water resources.**
- **\$7.12 billion for DOD repair and modernization (incl. hospitals).**
- **\$1 billion for VA major construction.**
- **\$5.5 billion for GSA federal buildings.**
- **\$2.35 billion for DOI infrastructure (incl. NPS and BuRec).**
- **\$2.14 billion for DHS (incl. airport screening and checkpoints, USCG bridges, broader entry, and HQ building).**

## ***Economic Stimulus (cont.)***

### **Direct Federal Projects Spending:**

- **\$19.9 billion for DOE (incl. \$6 billion for facilities cleanup, \$4.5 billion for electric grid modernization, \$3.4 billion for fossil energy R&D, and \$6 billion for innovative technology).**
- **\$2.57 billion for DOA (incl. Dept. facilities, Forest Service, NRCS watershed, rural waste, waste water, and community).**
- **42.5 billion for community and Indian health centers (another \$10 billion for NCR that can be used).**
- **\$800 million for Superfund and underground storage tanks cleanup.**
- **\$510 million for DOS capital investment and IBWC construction.**

## ***Economic Stimulus (cont.)***

### **Other Provisions:**

- **Delayed 3% withholding mandate until 2012.**
- **Bonus Depreciation.**
- **5-year carry back of net operating losses.**
- **Extension on enhanced small business expensing.**

## ***Other Key Infrastructure Priorities***

- **Timely reauthorization of SAFETEA LU.**
- **FAA Reauthorization – priorities include funding and expansion of QBS to cover projects funded through Passenger Facility Charges (PFCs).**
- **Water Infrastructure – priorities include funding and expansion of QBS to cover projects funded through the State Revolving Fund (SRF) programs under the Clean Water Act and Safe Drinking Water Act.**
- **Funding for clean up of DOE nuclear weapons sites.**
- **Authorization of dam (Rehabilitation and Repair – HR 1770 & S 732) and levee programs.**
- **Promoting domestic energy production, energy efficiency, addressing of climate change.**

# ***Tax, Regulatory, Legal Issues***

- **The Qualified Personal Service Corporations Clarification Act, to preserve cash accounting option for A/E firms.**
- **Broad-based tax reform – increases to personal rates and capitol gains, what does it mean for the industry?**
- **The Good Samaritan Protection for Construction, Architectural, and Engineering Volunteers Act.**
- **Levee liability – working with the Corps of Engineers and FEMA to address liability concerns.**
- **Wetlands reform.**
- **Health care reform and the impact to the A/E industry.**
- **Contracting out challenges.**

# 2009 Appropriations (Direct and Grants)

- **\$73B for Military Construction and Veterans Affairs (2/3)**
- **\$59.6B for Transportation Projects; \$41.8B Highways, \$10.1B Transit, \$6.3B Aviation, and \$1.6B Rail**
- **\$2.3B Available for Agriculture Facilities, Cleanup, and Utilities**
- **\$4.5B Available for NASA Facilities**
- **\$6.5B for DOE Nuclear Site Cleanup**
- **\$5.4B for USACE Civil Work**
- **\$1.1B for BuRec Projects**
- **\$1.5B for GSA Federal Buildings Work**
- **\$3.3B for EPA Water, Air, and Cleanup Projects**
- **\$1.1B for Foreign Buildings and Security**
- **\$2.5B for Public Housing Capital Fund**
- **\$1.75B for Interior Agencies Projects, Surveys, and Investigations**
- **\$5.4B for School Improvement Funding (Can be Used for Facilities)**
- **\$1B for Justice Facilities/Prisons and HHS/NIST/Other Research Facilities**

# 2010 Budget Outlines

- **Growth with Continued Investment in Education, Healthcare Reform, and Energy Independence as part of Economic Recovery**
- **Not Detailed, but Heavily Focused on Staffs, Programs, and Benefits**
- **Potential Growth in:**
  - Energy Demonstrations, Infrastructure, and Distribution
  - Education Facilities
  - Research Facilities
  - NASA Facilities
- **Specific Funding for:**
  - Healthcare Facilities
  - Clean/Drinking Water State Revolving Funds and Rural Development
  - Water Resources (Floods, Navigation, Aquatic Ecosystems)
  - Public Lands (Parks, Forests, Recreation Areas)
  - Transportation (Highways, Transit, Multimodal, High Speed Rail)
  - Public Housing and Community Development
  - Military Facilities, Housing, and Base Consolidations/Closures
  - Clean ups (Superfund, Brown fields, Nuclear)
  - Greenhouse Gas Emissions Reductions
  - Manufacturing Facilities Revitalization

# Challenges

- Potential union-backed effort to restrict the ability of public agencies to partner with engineering firms and other contractors.
- Repeal of the 3% withholding mandate.
- Stopping potential tax increases while protecting favorable tax provisions, such as the new 9% A/E tax deduction.
- Potential new regulatory burdens.
- Passage of any meaningful tort reform, such as ACEC's Good Samaritan or Unreasonable Liability Mitigation legislation.
- Health care reform and the impact to business: Increasing costs? Additional liability?
- Protecting QBS.