

# How Companies Can Still Benefit From the Obama Administration's Economic Stimulus Package

Prepared by:  
Robert Ryan  
National Managing Director  
Government Services  
RSM McGladrey, Inc.  
robert.ryan@rsmi.com  
410.308.5803

Thomas Emison  
Director  
Consulting Services  
RSM McGladrey, Inc.  
thomas.emison@rsmi.com  
612.376.9522

The American Recovery and Reinvestment Act of 2009, aka the stimulus package, reached its 200-day milestone on Sept. 3, 2009. Much of the money remains unspent and available — some of it to businesses.

Several surveys<sup>1</sup> published over recent months indicate that upwards of 75 percent of small and medium business owners do not believe their businesses will benefit directly or indirectly from the stimulus package. In fact, there are plenty of opportunities for businesses to take advantage of the program. The secret is that the money does not come to you, you must go after it. So here is further information on where the money is going and how you can gain access.

## What has changed since the stimulus bill passed?

Little has changed and a lot has changed since May when we last wrote about the stimulus. Many opportunities for businesses have been awarded and closed, several new opportunities have opened up and numerous opportunities are still to be defined.

Key opportunities for business remain, especially at the state and local levels, as money winds its way through government and partner agency channels to reach the economy.

And, even at the federal level, opportunities and grant programs are still being defined.

As you'll recall, about \$301 billion of the total \$787 billion in stimulus money is dedicated to tax cuts and tax relief. The majority of this money has been put into effect, although some tax cuts and credits (e.g., those for plug-in electric vehicles) extend through 2010. (Note: For consistency, all dates provided in this white paper are calendar years. Where necessary, federal fiscal year data has been translated to calendar year data.)

As for the direct aid — direct spending by federal agencies, grants, loans and loan guarantees — approximately \$339 billion is being spent in 2009 and 2010. So far, about \$200 billion of that total has been obligated, while only \$73 billion has actually been disbursed. And there is still more than \$135 billion to be spent after 2010.

The majority of spending so far has been for direct aid to individuals and for state budget stabilization. In particular, additional funding has gone to Medicaid (low-income medical insurance), unemployment extensions, additional Social Security payments, food stamp programs, local law enforcement, state budget stabilization assistance and SBA business loan guarantee programs.

## How is the money flowing?

Federal agencies and state governments have been much slower than expected in developing plans for actually awarding

competitively available monies which meet stimulus accountability and transparency requirements. Many programs still lack rules and regulations to decide how and to whom to award grants or loans.

Approximately 53 percent (or \$115 billion) of money so far allocated for distribution by federal agencies has been paid out. Some agencies have been more quick to spend money; and some, like Agriculture, Health and Human Services and Labor have had more opportunities because they control a larger share of direct aid monies. The agencies slowest to find channels of distribution are:

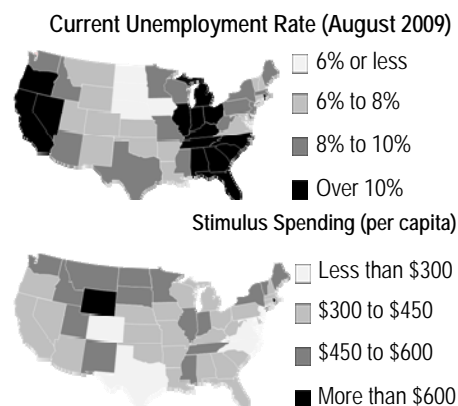
Agency	Percent Paid Out
EPA	3 %
Energy	6
Defense	7
Transportation	14
Housing and Urban Development	15
General Services Administration	16
Interior	16

The White House reports approximately \$2 billion in contracts under the stimulus for building improvements at military bases and federal buildings, waterway improvements, etc., were awarded to small businesses.

## Which states are benefitting?

On average, states are receiving between \$300 and \$600 per capita in stimulus money.

Six states (Virginia, Texas, North Carolina, New Jersey, Maryland, and Colorado) are receiving less than \$300 per capita. Of these, Virginia and North Carolina have seen improvements in employment while Texas has seen a much worsening employment situation.



Four areas are receiving more than \$600 per capita (Wyoming, Rhode Island, the District of Columbia, Alaska), with the District of Columbia receiving nearly \$880 per capita and Alaska receiving more than \$1000 per capita. None of the four have seen the unemployment situation improve since February, and all but the

<sup>1</sup>Recent subject surveys include the following sources (among others):

i) National Small Business Association found at: <http://baltimore.bizjournals.com/baltimore/stories/2009/08/03/story15.html>  
 ii) Kauffman Foundation found at: [http://www.kauffman.org/Entrepreneurship\\_and\\_Economic\\_Recovery.aspx](http://www.kauffman.org/Entrepreneurship_and_Economic_Recovery.aspx)



appliances. Additional information (including links to the state authorities) can be found [here](#).

#### Industrial construction and civil engineering

- Perhaps one of the largest areas of funding under the stimulus package is for road and transportation infrastructure repair and construction. The majority of this money is provided as grants to state departments of transportation and to a lesser extent local public transportation authorities. Many of those projects are already underway, although only about 10 percent of the money has actually been distributed. Businesses should look to those sources for additional opportunities.
- The single largest area of direct spending under the stimulus will be construction and renovation of federal buildings. These projects will especially have an eye towards energy efficiency and “green” improvements. Nearly \$17 billion will be spent updating, building and modernizing federal office buildings (managed by the General Services Administration), and facilities used by the Department of Agriculture, Department of Interior (especially the National Park Service), Indian reservation facilities, U.S. military bases and Veterans hospitals.

#### Construction

- \$1.9 billion is available to public organizations (including public housing agencies) from the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization program to address home foreclosure and abandonment. HUD programs are intended to encourage public-private partnership and may include co-application by for-profit and public groups. This opportunity closed in July 2009.
- Public housing agencies will receive significant capital improvement funding, both on an allocated and competitive basis. Private residential and commercial construction companies will want to find their local public housing agency and ask about new and continuing partnership and contracting opportunities ([local public housing contacts](#)).

#### Food

There are fewer direct opportunities for funding in the food industry. However:

- The Act appropriated nearly \$20 billion to increase the benefit under the food stamp program. To take advantage: If you are a food retailer, make sure you are able to accept SNAP payments. Groceries, farmers’ markets and some plant nurseries (which sell edibles) may be eligible. In most cases (except when serving a homeless population), restaurants are ineligible to accept SNAP payments ([additional information](#)).

#### Small business

- The Small Business Administration has eliminated fees through the end of 2009 on loan applications and raised the guarantee percentage to 90 percent. Businesses must apply for SBA-backed loans directly with a commercial lender.
  - The Small Business Administration defines small businesses for the federal government. Size criteria vary by industry. Generally speaking, any manufacturing business with less than 500 employees is considered small. Any wholesaler business with less than 100 employees is considered small. Retailers are usually defined as small for those with less than \$7 million in revenues.
- The new SBA ARC (America’s Recovery Capital) loan program provides up to \$35,000 in interest-free short-term funding (repayable over five years) to viable businesses suffering demonstrably in the current economic climate. Money is disbursed over six months and includes 12 months of repayment deferment. Additional program information is available [here](#).
  - The SBA also has a market-rate interest Microloan program (lending \$500 to \$35,000) and repayable over six years. Additional information is [here](#).
  - Like all SBA loans, the money is provided via commercial lenders. These programs will continue to be available through September 2010.

#### Defense (including providing non-military services to the Department of Defense)

- All opportunities are to provide contracted services to the DOD. Look at [www.fbo.gov](#) for specific opportunities of the moment. So far, domestic military bases have been the scenes of the most stimulus spending activity.

#### Biosciences

- The National Institutes of Health are receiving \$10.4 billion, the majority of which will go to fund research. While grants have not been announced, priorities are expected to include research that will be completed within the next two years and expansion of currently funded research (“R01” programs).
- The grant opportunities – current and future – available from NIH and the Health and Human Services are so numerous, HHS actually publishes a grant planning [forecast](#).

**Healthcare**

- More than \$15 billion is being made available as incentives for physicians and hospitals to adopt electronic medical record technologies beginning in 2011. Incentives will be based on Medicare or Medicaid claims and may be up to \$15,000 in 2011 and as much as \$44,000 (for providers serving primarily Medicare patients) or \$64,000 (for providers serving primarily Medicaid patients) who make "meaningful use of electronic medical records" by 2011. Additional details will be made available by the Centers for Medicare & Medicaid Services ([CMS](#)) as 2011 draws nearer.

	IL	OH	NC
Unemployment (August 2009)	10.0%	10.8%	10.8%
Change in Unemployment (February–August 2009)	+0.8 pts	+ 0.6 pts	-0.4 pts
Population	12.9 million	11.5 million	9.2 million
Per Capita Stimulus Funding	\$504	\$342	\$294

**Alternative energy**

- Approximately \$6 billion in loan guarantees will be available through the Department of Energy's Innovative Technology Loan Guarantee Program to fund commercial projects that support the adoption of new energy technologies and reduce global warming gasses. The details of the program are still being worked out, but will be made known [here](#) in the near future.

**The picture in a few states**

While the impact of the stimulus in a given state varies, based on whether or not money being spent directly by federal agencies in the state is counted, we can look at the situation in three states to get a glimpse of how the stimulus is trickling down to the local level.

The U.S. Council of Economic Advisors estimates that the stimulus will create 148,000 jobs in Illinois, 133,000 jobs in Ohio, and 105,000 jobs in North Carolina by the end of calendar 2010. That amounts to a cost to taxpayers of approximately \$60,000 per job.



**Illinois**

Approximately \$9.7 billion in stimulus funds have already been awarded to Illinois, both in formula-based spending (e.g., unemployment extensions, Medicaid subsidies, stabilization funds, etc.) and in competitive grants. In fact, Illinois has been one of the more aggressive states in pursuing stimulus funding.

Big winners in funding so far have been:

- Federal building construction work across the state
- Construction work at Scott Air Force Base
- Environmental clean-up at Argonne National Laboratories
- Computer distributor CDW (PCs and notebook computers for government workers)
- A solar cell demonstration project

**Opportunities for Illinois businesses**

Opportunities to gain from Illinois' largesse by selling materials and services to the state can be found [here](#). The state also publishes a list of upcoming procurement opportunities, available [here](#).

It is also worth noting that Illinois has a Small Business Set-Aside program where awards for certain projects (including all projects worth less than \$50,000) are reserved for small businesses only. The annual revenue threshold to qualify as a small business by the State of Illinois is \$6-10 million depending on industry. The program requires registration. Details are available [here](#).

There are also grants available under the stimulus through Illinois, especially in the area of energy efficiency. Examples include:

- Green roof additions
- Renewable energy and energy-efficient business development
- Biofuels production

Applications for the majority of these and other related programs began to close in October 2009. Additional details and applications for these programs are available from the [Illinois Department of Commerce and Economic Opportunity](#).



**Ohio**

Ohio has been considerably slower off the mark in terms of capitalizing on stimulus monies. Ohio is one of six states to miss the highway money fast start deadline (having met the 50 percent threshold on June 18). Approximately \$8 billion has been made available to Ohio.

Big winners in securing stimulus funding so far:

- Wright-Patterson Air Force Base
- Dayton VA Medical Center construction
- Technology manufacturer Teledyne for development of a turbine
- Navy and Marine building renovation in Cincinnati

### Opportunities for Ohio businesses

Ohio's own stimulus Web site collects competitive funding opportunities under the stimulus [here](#). Ohio's Department of Administrative Services handles all selling of services and products to the state. Additional information is available [here](#). Ohio's grant process for stimulus monies is somewhat different from other states. Instead of a lengthy RFP process, Ohio is conducting an invite-only grant proposal process. Organizations looking for an invite should submit their "proposal of interest" [here](#). The state then selects from among those applications a "short list" to apply for grants directly, and on a very short timeline (usually less than 30 days). A rotating list of funding opportunities can be found [here](#).



### North Carolina

Approximately \$6.5 billion in stimulus money has been made available to North Carolina.

Big winners in securing stimulus funding so far:

- Construction at Camp LeJeune
- Various construction projects at Pope Air Force Base

### Opportunities for North Carolina businesses

North Carolina also has placed special emphasis on helping small and "historically under-utilized businesses" (HUBs – minority, disabled and women-owned) secure funding through preferential treatment in state procurement.

So far, North Carolina has been relatively slow to make direct opportunities for non-governmental and non-educational organizations (businesses, non-profits, etc.) available. However, indirect opportunities – by providing services and products to the state – are available. The state's Department of Administration provides procurement notices [here](#). And don't forget to register as an HUB (at the same site), if appropriate.

### Where do I go from here?

All businesses interested in finding opportunities to work with the federal government should frequent several central data websites to check for new opportunities. The federal government produces several online resource sites to help you find assistance:

- [Recovery.gov](#) is the clearinghouse for all information about the status of the stimulus and links to [state](#) and [federal](#) agency information
- Look for **grants** at [www.grants.gov](#)
- Look for all federal **contracting** opportunities worth more than \$25,000 at [www.fbo.gov](#)
- Look for scientific **research** opportunities at [www.research.gov](#)
- Look for **loan** opportunities at [www.govloans.gov](#)

- Look for NASA contracting opportunities at the administration's [Web site](#)

Businesses seeking opportunities at the state and local level should check with their state's stimulus monitoring agency (links are available [here](#)), as well as state and local purchasing or procurement departments. A list of state procurement officials and departments is available from the National Association of State Procurement Officials ([NASPO](#)).

The basic advice for companies seeking money from the stimulus has not changed:

- [Be responsive](#)
- [Be responsible](#)
- [Be price competitive](#)
- [Be open](#)
- [Be prepared](#)
- [Be concise and compelling](#)

Also, because the stimulus package is special, one-time spending with a particular goal, there are additional pointers to keep in mind:

- [Act immediately](#)
- [Be ready to go](#)
- [Look to create and maintain jobs](#)
- [Look to create ecological benefits](#)
- [Pay the "prevailing wage" to your workers](#)
- [Use domestic \(U.S.\) materials and supplies](#)
- [Be prepared to keep track of the jobs created, saved and maintained](#)
- [Consider partnering with a public organization](#)

## For additional information

For general information regarding Stimulus opportunities, contact:

Tom Murphy  
Executive Vice President  
Manufacturing and Wholesale Distribution  
RSM McGladrey, Inc.  
801 Nicollet Mall, Suite 1100  
Minneapolis, MN 55402-2526  
612-573-8750  
tom.murphy@rsmi.com

For information about recordkeeping requirements and compliance associated with government stimulus funds, loans, and grants contact:

Robert Ryan  
National Managing Director  
RSM McGladrey Government Services  
1401 I Street, NW  
Suite 240  
Washington, DC 20005  
202-962-0075  
robert.ryan@rsmi.com

Thomas Emison  
Director  
Consulting Services  
RSM McGladrey, Inc.  
801 Nicollet Mall, Suite 1100  
Minneapolis, MN 55402-2526  
612-376.9522  
thomas.emison@rsmi.com

RSM McGladrey, Inc. and McGladrey & Pullen LLP have an alternative practice structure. Though separate and independent legal entities, the two firms work together to serve clients' business needs. RSM McGladrey, Inc. is not a licensed CPA firm.

RSM McGladrey and McGladrey & Pullen serve clients' global business needs through their membership in RSM International, the seventh-largest worldwide organization of independent accounting and consulting firms (source: *International Accounting Bulletin*), with 680 offices and 27,000 professionals in 65 countries.

To learn more, call 800.274.3978 or visit [www.rsmmcgladrey.com](http://www.rsmmcgladrey.com).

**RSM! McGladrey**  
Accounting | Tax | Business Consulting