

# AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

## BOND OPPORTUNITIES

### BACKGROUND

The American Recovery and Reinvestment Act of 2009 (ARRA) created several new types of tax-exempt bonds and tax credit bonds under the Internal Revenue Code. Click [here](#) to view the IRS notice that provides guidance regarding how the Treasury Department and the Internal Revenue Service (IRS) will determine and announce credit rates on certain tax credit bonds described in the notice. *Source: [www.irs.gov](http://www.irs.gov)*

*Click bond names below to read related IRS notices.*

### TYPES OF BONDS AVAILABLE

#### ***BUILD AMERICA BONDS***

This program authorizes state and local governments to issue Build America Bonds as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. State and local governments receive a direct federal subsidy payment for a portion of their borrowing costs on Build America Bonds equal to 35 percent of the total coupon interest paid to investors. This new program is intended to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs. *Source: [www.finance.senate.gov](http://www.finance.senate.gov)*

#### ***NEW CLEAN RENEWABLE ENERGY BONDS***

The bill authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. This proposal is estimated to cost \$578 million over 10 years. *Source: [www.finance.senate.gov](http://www.finance.senate.gov)*

#### ***QUALIFIED ENERGY CONSERVATION BOND ALLOCATIONS FOR 2009***

The bill authorizes an additional \$2.4 billion of qualified energy conservation bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. The bill also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time. This proposal is estimated to cost \$803 million over 10 years.

*Source: [www.finance.senate.gov](http://www.finance.senate.gov)*

#### ***RECOVERY ZONE BOND VOLUME CAP ALLOCATIONS***

The bill would create a new category of tax credit bonds for investment in economic recovery zones. The bill would authorize \$10 billion in recovery zone economic development bonds and \$15 billion in recovery zone facility bonds. These bonds could be issued during 2009 and 2010. Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses in 2008 (each state will receive a minimum allocation of these bonds). These allocations would be sub-allocated to local municipalities. Municipalities receiving an allocation of these bonds would be permitted to use these bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the State, city or county (as the case may be) that has significant poverty, unemployment or home foreclosures. This proposal is estimated to cost \$5.371 billion over 10 years. *Source: [www.finance.senate.gov](http://www.finance.senate.gov)*

### MORE INFORMATION

Click [here](#) to visit the ARRA Bonds page on the Alabama Department of Finance website, or contact Alabama Deputy Finance Director Young Boozer or Finance Department Public Affairs Director Gina Smith at (334) 242-7160.