President’s FY2012 Budget: Outlook for Regional Development Programs

BY THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

REGIONAL STRATEGIES. PARTNERSHIPS. SOLUTIONS
About NADO’s Mission

- Strengthen local governments, communities and economies through the regional strategies, partnerships and solutions of the nation’s regional development organizations.
President Obama’s FY2012 Budget

- Downpayment on deficit reduction
- Investments for innovation and infrastructure
- Maintain support for education with reforms
- Short-term solutions for “doc fix” and AMT patch
- Freezes federal civilian worker pay and gov’t reform
# Federal Budget Trends FY2000-2012

<table>
<thead>
<tr>
<th>Outlays</th>
<th>FY2000</th>
<th>FY2005</th>
<th>FY2010</th>
<th>FY2012</th>
<th>FY00-12 Change</th>
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<tr>
<td><strong>Appropriations</strong></td>
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<td>3.729T</td>
<td>+1.939T</td>
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Data source: NADO.org
FY2012 Federal Budget (Outlays)

- Defense / Security Discretionary: 24%
- Social Security: 21%
- Non-Security Discretionary: 13%
- Medicare: 13%
- Medicaid: 7%
- Other Mandatory: 16%
- Debt Interest: 6%
- TARP: 0%

Prepared by NADO
FY2012 Federal Budget
(Receipts)

Social insurance and retirement receipts 35%

Corporate income taxes 13%

Excise taxes 4%

Estate and gift taxes 1%

Custom duties 1%

Deposits of earnings, Federal Reserve 2%

Debt Interest 6%

Individual income taxes 43%

Prepared by NADO
President Obama’s FY2012 Budget

- FY12 Projected Deficit of $1.1 Trillion (7% of GDP)
  - FY11 projected deficit of $1.645 trillion (10.0% GDP)
  - FY15 projected deficit of $607 billion (3.2% of GDP)
  - By comparison, combined state budgets = $1.49 trillion

- Five-Year Non-Security Discretionary Spending Freeze
  - Reduces the deficit by $400 billion over the next decade

- 211 Program Terminations, Reductions & Savings
  - Savings of $33 billion in the first year
  - Cuts $78 billion from the Pentagon’s plan over five years
Causes of Change in Average Surplus / Deficits Forecasted by CBO for 2009-2012

- President Bush Years
  - Early 2000's Downturn: $290
  - $673

- President Bush’s Programs Continued by President Obama
  - President Bush’s Policies: Tax cuts, Iraq War, Medicare Part D: $480
  - 2008-2009 Recession:
    - Reduced tax revenue
    - Increased safety net spending: $185

- Programs Enacted into Law By President Obama
  - $232
  - Wall St. Bailouts
  - Continuing Programs: Iraq War, AMT patch
  - Obama Stimulus: $145
  - Obama Programs: $56

Surplus
- Deficit
  - $-200
  - $-400
  - $-600
  - $-800
  - $-1000
  - $-1200

$1,215 B Deficit

Source: NY Times Analysis of CBO Data
Note that CBO forecasts are based on law enacted at time of forecast.
Dollars in Billions.
Gross Federal Debt
US from FY 1792 to FY 2015

depiction of historical debt as a percentage of GDP from 1792 to 2015
Foreign Holdings of Federal Debt

1965: 4.7%
1975: 16.7%
1985: 14.8%
1995: 22.8%
2005: 42.0%
2010: 47.2%

Prepared by NADO
President’s FY2012 Budget Highlights

Online Resources

- OMB Budget Resources: www.whitehouse.gov/omb/budget
  - FY2012 Budget
  - FY2012 Appendix
  - FY2012 Terminations, Reductions and Savings

- Federal Agency Websites:
  - FY2012 Budget in Brief
  - FY2012 Congressional Budget Justification
  - FY2012 Budget Fact Sheets
Federal Regional Development Programs
DISCLAIMER:
The President’s FY2012 Budget Blueprint

is the just the beginning of the process!

Next steps are the House and Senate Budget Resolutions,

which set the overall spending and revenue framework,

followed by consideration of the

12 individual federal annual appropriations bills

that fund the specific departments, agencies

and program accounts.
President’s FY2012 Budget Highlights

- **Major Eliminations**
  - HUD Brownfields Economic Development Initiative
  - DOL Career Pathways Innovation Fund
  - USDA Resource Conservation and Development (RC&Ds)
  - USDA High Energy Cost Grants
  - EDA Trade Adjustment Assistance for Firms
President’s FY2012 Budget Highlights

- **Major Reductions**
  - DOL/HHS Senior Community Service Employment Program
  - DOT - FAA Airport Improvement Program
  - EPA Clean and Safe Drinking Water SRFs
  - EPA Nonpoint Source Pollution Grants
  - HHS Community Services Block Grants
  - HHS Low Income Home Energy Assistance Program
  - HHS Rural Hospital Flexibility Grant Program
  - HUD Community Development Block Grants
  - HUD HOME Improvement Program
  - USDA Single Family Housing Direct Loans and Housing Repair Grants
President’s FY2012 Budget Highlights

**Noteworthy Increases**

- USDA Single Family Housing Guaranteed Loans
- USDA Community Facility Direct Loans
- DOT SAFETEA-LU Levels for Highway and Transit Programs
- EDA Regional Innovation Program
- EDA Wireless Innovation Initiative
- EPA State and Local Air Quality Management Grants
- HHS Administration on Aging
USDA Rural Development

- $2.4 billion in budget authority to support of program level of $36 billion in grants, direct loans and loan guarantees

- Major Theme: Strategic Leveraging of Existing Resources through Regional Innovation Initiative (RII)
USDA Rural Development: Rural Utilities Service (RUS)

■ Water and Waste Disposal Programs

- Grants: $415M, down from $693 in FY10 and $494M in FY11
  - ARRA provided $555M for water and waste disposal grants
- Direct Loans: $74M in budget authority to support $770M program level; down $181M from FY10
  - Significant drop in program level is due to increased subsidy costs to support direct loan program

■ Solid Waste Management Grants

- $4M requested for FY12, same as FY11 request
USDA Rural Development: Rural Utilities Service (RUS)

- **Broadband Programs**
  - **Grants:** Maintains at $18M
  - **Direct Loans:** Requests no new funds since more than $1.22 billion in broadband loan funds remaining from ARRA

- **Distance Learning and Telemedicine Program**
  - **Grants:** Requests $30M, down $8M from FY10
  - **Direct Loans:** No funding requested since “there is little demand for the DLT loans,” according to USDA
USDA Rural Development:
Rural Business – Cooperative Service (RBS)

- Business and Industry (B&I) Loans
  - $823M Program Level, down $223M due to subsidy rate
  - Priority on regional innovation, healthy food, renewable energy and expansion of broadband deployment

- Rural Business Enterprise Grants (RBEG)
  - $30M for grants, reduction of $9M

- Rural Business Opportunity Grants (RBOG)
  - $7.5M for grants, increase of $5M as part of RII
USDA Rural Development:
Rural Business – Cooperative Service (RBS)

- Intermediary Relending Program (IRP)
  - Program level of $36M, increase of $14M as part of RII

- Rural Microentrepeneur Assistance Program
  - $5.7M discretionary funds for $23M loans and $2.2M grants
  - $3M mandatory funds for $32M loans and $4M in grants

- Value-added Ag. Product Market Development
  - Maintains at $20.36M as part of RII
USDA Rural Development:
Rural Business – Cooperative Service (RBS)

- Rural Energy for America (Sec. 9007)
  - Assistance for renewable energy systems and energy efficiency improvements, including energy audits and feasibility studies
  - Discretionary: $11M in loan guarantees and $34M in grants
  - Mandatory: $130M in loans and $36.7M in grants

- Rural Economic Development Grants (REDLEG)
  - Cancels $241.3M from “cushion of credit”
  - $10M is proposed for rural economic development grants and $4.293M for loan subsidy
USDA Rural Development: Rural Housing Service (RHS)

- Eliminates
  - Multi Family Housing *Guaranteed Loans* (Sec. 538)
  - Very Low-Income Repair *Direct Loans* (Sec. 504)
  - Mutual and Self Help *Grants* (Sec. 523)
  - Community Facility *Guaranteed Loans*

- Major Programs
  - Single Family Housing (Sec. 502): Cuts Direct Loans to $211M and Doubles Loan Guarantees to $24B with fee structure consistent with HUD’s FHWA guaranteed program.
USDA Rural Development:
Rural Housing Service (RHS)

- Single Family Housing (Sec. 502)
  - Cuts direct loans to $211M from $1.02B in FY2010
  - Doubles Loan Guarantees to $24B with fee structure consistent with HUD’s FHWA guaranteed program

- Rental Assistance Grants (Sec. 502 and 521)
  - $906.53M, down from $980M in FY2010
  - Rental contracts for one-year period
USDA Rural Development: Rural Housing Service (RHS)

- **Community Facilities**
  - Eliminates loan guarantee due to increase in subsidy costs
  - Direct loan program level at $1B vs. $631M in FY2010
  - Supports $30M for grants, $2M below FY2010 actual

- **Rural Community Development Initiative (RCDI)**
  - Increased to $8.4M as part of RII to support regional economic development strategies, up from $6.25M
Secure Rural Schools and Community Self Determination Act

- Requests a total of $328M for FY2012 in discretionary funds
- FY2011 level was $416M in mandatory money
- Proposes as discretionary funds, rather than mandatory
- Proposes to decrease funding every year during the five-year reauthorization period

The Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393) provides temporary payments to counties impacted by the reduction of shared receipts stemming from lower levels of timber harvesting on Federal lands.
Appalachian Regional Commission

- **Level Funding of $76M for Core Programs**
  - Area Development account is $63.4M
    - Devotes $10M for federal interagency MOU to promote diversified and sustainable economic growth and employment
  - Maintains $6.2M for 73 Local Development Districts

- **Appalachian Development Highway System**
  - Authorized at $470M under SAFETEA-LU law
Delta Regional Authority

- Level Funding of $13M

FY12 Budget Focuses On:

- Multi-state planning and regional investments
- Small business development and entrepreneurship
- Innovative green economy efforts related to job creation and retention
Federal-State Regional Commissions

- **Denali Commission**
  - $11.96M for regular programs
  - Proposes 50% match for construction projects, with waiver for most distressed communities to 20% match

- **Northern Border Regional Commission**
  - Maintains at $1.5M

- **Southeast Crescent Regional Commission**
  - No funding proposed; Received $250K in FY2010
Treasury’s CDFI Program

- $227.25M, Down $19.5M from FY10
  - $41.4M Bank on USA
  - $25M for New Healthy Food Financing Initiative
  - Eliminates Bank Enterprise Awards and Capital Magnet Fund

- Proposes Reauthorizing New Markets Tax Credit through 2012
  - Requests $5B allocation with $250M to support financing healthy food options in distressed areas
Economic Development Administration

Economic Development Assistance Programs:

- $284.3M Request, Increase of $29.3M from FY2010
  - Maintains Planning at $31M
  - Cuts Public Works to $89M, down from $158.28M in FY10
  - $40M Regional Innovation Program for 20 Growth Zones
  - Increases Economic Adjustment to $81M, up from $44M in FY10
  - As authorized by COMPETES Act, new $100M loan guarantee program for science and technology parks and incubators

- Salaries and Expenses: $40.6M, Up $2.6M from FY10
Regional Innovation Program (Economic Growth Zones)

- National Competition under partnership with HUD and USDA
- Select 20 growth zones (estimated at 14 urban and 6 rural)
- Resources for planning and seed capital, including rigorous economic development analysis, additional strategic planning, capacity building and project implementation
Wireless Innovation and Infrastructure Initiative (WI3)

- Federal auctions of reallocated spectrum licenses expected to generate $27B by 2021

- EDA will participate in wireless innovation fund by setting aside $100M over five years in new money in prize and grant competitions to fund development of regional clusters of wireless innovation
Hollings Manufacturing Extension Partnership (MEP)

- $142.6M, up from $125M in FY10 enacted

Technology Innovation Program (TIP)

- $75M; Reauthorized in COMPETES Act to promote and accelerate innovations in high-risk, high-reward projects

Advanced Manufacturing Technology Consortium

- $12.3M for new pilot for long-term industrial research
Environmental Protection Agency

**Overall Budget:** $8.97B, Down from $10.3B in FY10

- **Clean Water SRF:** $1.55B, cut of $550M (20% green)
- **Drinking Water SRF:** $990M, cut of $397M (10% green)
- **Brownfields:** Maintains basic funding levels for 3 accounts
- **Sustainable Communities:** $9.9M, Increase of $4.2M
- **State and Local Air Quality Management:** $305M, Up $78M
Environmental Protection Agency

- Eliminates
  - Clean School Bus Initiative
  - Diesel Emissions Reduction Grant Program ($60M)
  - Targeted Airshed Grants ($20M)
  - Local Government Climate Change ($10M)

- Major Cuts
  - Nonpoint Source Pollution (Sec. 319) - $36.1M Savings

- Major Increase
  - State and Local Air Quality Management: $305M, Up $78M
Federal Emergency Management Agency

- **State Homeland Security Grants**: $1B, increase of $148M
  - $50M for Operation Stonegarden on Southwest Border
- **Urban Area Security Initiative**: $920M, increase of $68M
- **Citizen Corps**: $13M
- **Emergency Preparedness Performance Grants**: $350M, Up $12M
- **Continuing Training Grants Program**: $20.6M
- **Firefighter Assistance Grants**: $670M, cut of $140M from FY10
  - $250M for equipment, training, vehicles, and related materials
  - $420M to rehire laid-off firefighters and retain veteran first responders
Federal Emergency Management Agency

- **Predisaster Mitigation Fund:** $85M, cut of $15M from FY11

- **Flood Map Modernization**
  - Changes name to “Flood Hazard Mapping and Risk Analysis”
  - Reduces funding by more than $110M to **$103M**

- **Emergency Operations Center:** *No funding requested*

- **Firefighter Assistance Grants:** $670M, cut of $106M from FY10
  - $250M for equipment, training, vehicles, and related materials
  - $420M to rehire laid-off firefighters and retain veteran first responders
**HHS – Administration on Aging**

- **Total Program of $2.23B**, Increase of $74M for base funding
  - Home and Community-Based Support: $416M (Up $48M)
  - Congregate Nutrition Services: Level at $440M
  - Home-Delivered Nutrition Services: Level at $217M
  - Nutrition Services Incentive Program: Level at $160M
  - Preventive Health Services: Level at $21M
  - Caregiver Services: $222M Total, increase of $47M
  - New $16.5M for Adult Protective Services Demonstration, authorized by the Elder Justice Act of 2010
HHS – Assistance for Families and Children

- **Child Care & Development Block Grant**: 2.92B vs. $2.1B in FY10

- **Social Services Block Grant**: Remains at $1.7B

- **Community Services Block Grant (CSBG)**: $350M for 50% cut

  - Shifts to competitive program for high performing agencies

- **Head Start**: $8.099B, Increase of $865M

- **Rural Community Facilities**: Eliminates account *(earmarks)*
HHS – Assistance for Families and Children

Low Income Home Energy Assistance Program (LIHEAP)

- $2.56B, cut of $2.53B from FY2010
  - $1.98B in base grants and $590M in contingency funds

- According to White House,

  “Returns LIHEAP funding to historic levels received for 2008 prior to the energy price spikes.”
HUD Community Development

- Community Development Block Grant (CDBG)
  - Reduces formula funding to $3.691B, cut of $181M

- HOME Investment Partnerships: $1.65B, cut of $175M

- Replaces Hope VI with Choice Neighborhoods Grants at $240M

- Rural Housing Stability Program: $25M for rural homeless

- Rural Innovation Fund: Remains at $25M
  - Rural Mapping Tool to measure poverty and community housing distress
HUD Community Development

**Neighborhood Stabilization Fund:**
- No new funding requested for FY2012
- More than $6B appropriated for FY09 and ARRA

**Brownfields Economic Development:**
- No new funding requested in FY12
- Funded at $17.5M in the past years
HUD Sustainable Communities

Office of Sustainable Housing and Community Development

- Funds separately, rather than set-aside with CDBG Fund
- Level Funding for Core Programs
  - $100M for Regional Integrated Planning Grants
  - $40M for Community Challenge Grants
  - $5M for Research and Evaluation with HUD and DOT
  - $5M for new energy consumption database with focus on public housing
Labor – Employment and Training

- Workforce Investment Act (WIA) Funding
  - Adult Employment and Training: $792M, down from $862M
  - Dislocated Workers: $1.31B, down from $1.413B
  - Youth Employment: $965M, down from $1.02B
  - *Plus WIA formula funding is reduced further for national initiatives*

- Workforce Innovation Fund
  - Funded through 8 percent takedown from WIA Adult, Dislocated Workers and Youth programs at $297M
  - DOL national competitive grants for new service delivery strategies or expand evidenced-based practices
Labor – Employment and Training

- Trade Adjustment Assistance Community College and Career Training *(Eligible institutions of higher education)*
  - $500M annually in FY2011-2014 for competitive grants
- Green Jobs Innovation: $60M, increase of $20M from FY10 level
- Job Corps: $1.69B, decrease of $8.45M from FY10 level
- High Growth Job Training Initiative: $125M
- Career Pathways Innovation Fund: Eliminates funding
- YouthBuild Program: $115M, up from $102.5M
  - ★ DOL will issue new rulemaking in FY12
Labor – WIA Reauthorization Principles

- **Streamline service delivery** with flexibility for states and locals
- **Truly one-stop shopping** for high-quality services
- **Engaging with employers** on a regional and/or sectoral basis
- **Improving accountability**
- **Promoting innovation** and identifying and replicating best practices
Labor – Senior Community Service Employment Program

- Proposes transfer from Labor Dept. to HHS’ Administration on Aging

- Reduces program funding by $375M, from $825M to $450M *(Note: normal budget was $600M)*

- Intends better coordination with HHS’ programs for low-income seniors, including health, wellness and independence
Small Business Administration

- **Overall:** $985M in New Budget Authority
  - $575M for salaries and expenses ($160M for non-credit programs)
  - Business Loan Subsidy: $215.3M, Increase of $132.3M
  - Disaster Assistance Program: $167.3M, Increase of $90.7M
  - Office of Inspector General: $18.4M, Increase of $2.1M

- **Major Notes**
  - Regional innovation clusters is major theme
  - Need for subsidies to cover costs of 7(a) and 504 CDC loans
Small Business Administration

Credit Programs

- 7(a) Guaranteed Loans
  - Requests $129.8M of credit subsidy to support $16.5B in lending authority

- 504 CDC Lending Program
  - Requests $81.8M of credit subsidy to maintain $7.5B in lending authority; First time since FY1997
  - Increases borrower fees to .9375% cap, up 20% from FY11
  - Increases loan default estimates to over 19%; Highest ever
Small Business Administration

- **Non-Credit Programs**
  - **HUBZone Program:** $2.5M, increase of $311K
  - **Microloan technical assistance:** $10M, cut of $9.2M
  - **PRIME technical assistance:** No funding, cut of $8M
  - **SBDC Grants:** $103M, cut of $9.6M
  - **SCORE:** $7M, level funding
  - **Entrepreneurial development (clusters):** $14M, increase of $3M
  - **Emerging Leaders:** $3M for new program (also proposed in FY11)
DOT – Major Highlights

- Proposes New $556B, Six-Year Surface Transportation reauthorization package (SAFETEA-LU) – **ave. of 60% increase**
  - “Up-Front” investment of $50B
- Requests $53B over six years for **High Speed Rail** investments
- Establish new **National Infrastructure Bank** at $30B over six years
- Dedicate $32B for **competitive grant programs**
- Major reforms and cuts to **FAA Airport Improvement Program**
SAFETEA-LU Reauthorization

- $556B, Six-Year Reauthorization Framework
  - $50B “Up-Front” investment immediately
  - $336B for highways and bridges; 48% increase
  - $119B for transit; 127% increase
  - $53B for national high-speed rail network, including Amtrak
  - $30B for National Infrastructure Bank

The President’s FY2012 Budget does NOT identify new or potential revenue sources for the proposed new spending!
SAFETEA-LU Reauthorization

New Transportation Trust Fund

“Highway Trust Fund” changed to “Transportation Trust Fund”

- Adds high-speed rail and national infrastructure bank

- HOWEVER, existing HTF taxes would remain solely for highway and transit accounts – NOT rail and infrastructure bank

- $1.3B for Transportation Leadership Awards for competitive grants related to innovations in transportation policy

- Requests $70.5B in FY12, including “Up-Front” money;

Represent $29B increase over FY10 enacted
SAFETEA-LU Reauthorization

Highways – Proposes $336B over Six Years (48% Increase)

★ Merge 55 separate highway accounts into five core programs

1. Highway Safety Improvements: $2.5B in FY12
2. National Highway Program: $32.4B in FY12
   ✷ Highway Infrastructure Performance & Flexible Investments
3. Livable Communities: $4.1B in FY12
4. Federal Allocation: $1.4B in FY12
5. Research, Technology and Education: $661M

★ Subjects surface transportation spending to PAYGO and converts a number of previously General Fund programs
SAFETEA-LU Reauthorization

Transit – Proposes $119B over Six Years (127% Increase)

- Merge five transit programs into state of good repair account
  - Bus and Rail State of Good Repair: $10.7B ($7.5B FY12)
  - Transit Formula Grants: $7.7B ($3B FY12)
  - New Transit Expansion and Livable Communities; Includes $50M for Livable Communities demonstration grants
- Proposes to allow urban transit authorities (in areas of 200K or more) to temporarily use formula funds for operations
- Entrust FTA with authority to oversee rail transit safety
SAFETEA-LU Reauthorization

- High Speed Rail
  - $53B over six years, including part of transportation trust fund
  - Divides rail corridors into “core express,” “regional” or “emerging”
  - Consolidates Amtrak into High-Speed Rail accounts; Shifts rail funding from general funds to mandatory spending
DOT – National Infrastructure Bank

- $30B over six year period at $5B annually
- No specific funding mechanism is identified, but administration establishes within new Transportation Trust Fund
- Projects eligible would include multi-modal projects for highway, transit, rail, aviation, including equipage, ports and maritime
- Allocates $200M for planning and cost/benefit analysis
- New entity within U.S. DOT
DOT – Federal Aviation

- Reduces Airport Improvement Program to $2.42B, from $3.5B
- Maintains AIP for smaller commercial and general aviation airports
- Large and medium airports are phased out of AIP, with authority to increase non-federal passenger facility charges; Proposal was recommended by Bowles-Simpson Debt Commission
- HOWEVER, requests $3.35B for AIP as part of “Up-Front” plan
- Essential Air Service funded at $195M total, as part of the Office of the DOT Secretary – Cut of $27M; Proposes to eliminate 15-passenger aircraft requirement and limit the program to communities receiving aid as of October 1, 2011
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