



# Federal Legislative Report:

## Politics, Budgets and Policy

**NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**  
**REGIONAL STRATEGIES. PARTNERSHIPS. SOLUTIONS**  
September 2011

# About NADO's Mission

- Strengthen local governments, communities and economies through the regional strategies, partnerships and solutions of the nation's regional development organizations

# Presentation Overview

- **Federal Political Climate, Including 2012 Elections**
- **Federal Budget Outlook:**
  - **FY11 Final CR**
  - **FY12 House Budget Resolution**
  - **FY12 Appropriations**
- **Details of the Debt Deal**
- **State of Small Business Programs**
- **NADO Legislative Priorities and Status Report**



# The Political Climate

# 2012 Presidential Landscape

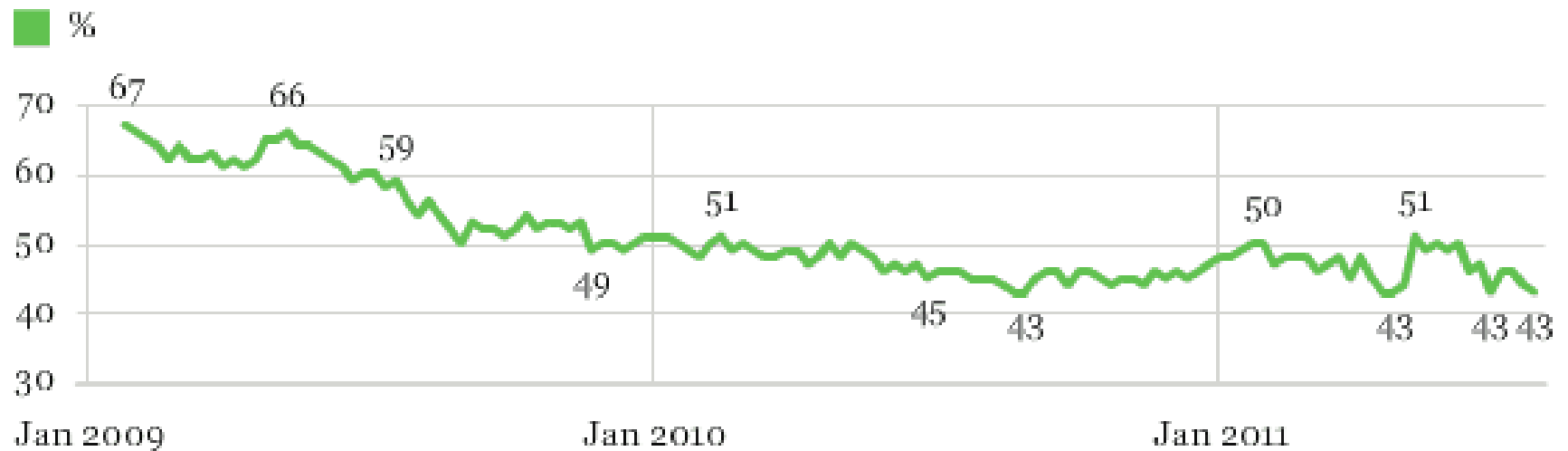
## ■ President Obama

- ▶ Difficulties with base
- ▶ Growing anxiety with economy
- ▶ Increase in food, gas and everyday costs are worry
- ▶ Avoid Democratic primary
- ▶ **Independents are key**



# President's Job Approval Rating

*Barack Obama's Weekly Job Approval Ratings*



Gallup Daily tracking

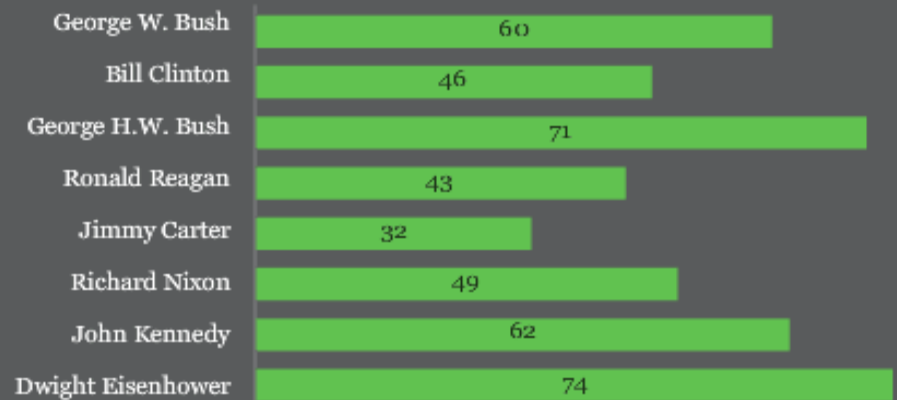
GALLUP®

# Presidential Polls



*Job Approval Ratings for Prior Presidents in August of Third Year*

■ % Approve

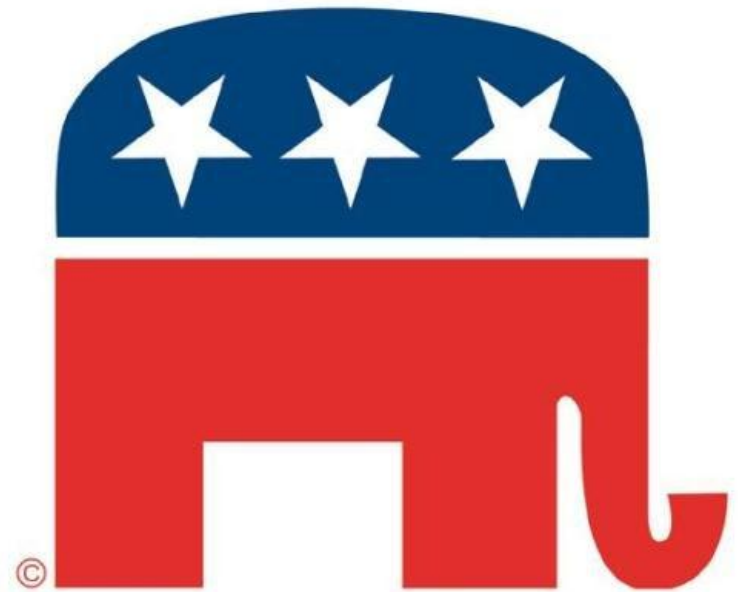


Presidents elected to their first term

Source: Gallup

# Sample of 2012 GOP Field

- ▶ Bachmann (MN)
- ▶ Herman Cain (GA)
- ▶ ~~Daniels (IN)~~
- ▶ Gingrich (GA)
- ▶ ~~Huckabee (AR)~~
- ▶ Huntsman (UT)
- ▶ Palin (AK)??
- ▶ ~~Pawlenty (MN)~~
- ▶ Perry (TX)
- ▶ Romney (MA)
- ▶ ~~Trump (NY)~~





# Iowa Straw Poll Results- GOP Field

## First Tier Candidates

### IOWA STRAW POLL RESULTS

- Michele Bachmann (4823, 28.55%)
- Ron Paul (4671, 27.65%)
- Tim Pawlenty (2293, 13.57%)
- Rick Santorum (1657, 9.81%)
- Herman Cain (1456, 8.62%)



STRAW POLL

2011

## Second Tier Candidates

### IOWA STRAW POLL RESULTS

- Rick Perry (718, 3.62%) write-in
- Mitt Romney (567, 3.36%)
- Newt Gingrich (385, 2.28%)
- Jon Huntsman (69, 0.41%)
- Thad McCotter (35, 0.21%)



# GOP Presidential Candidates

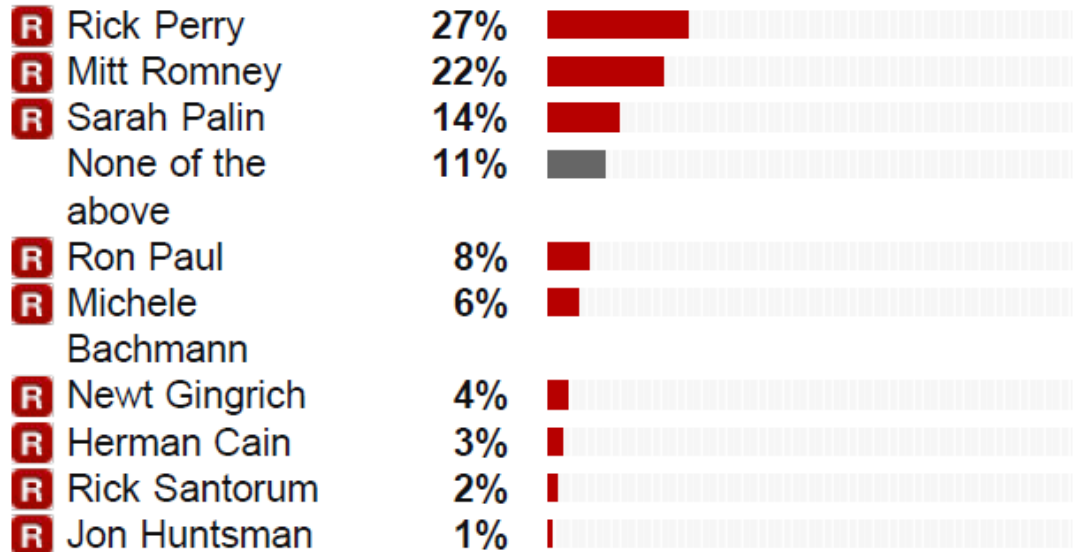
Tuesday, September 6, 2011

## National GOP Primary

Washington Post-ABC News

8/29/11-9/1/11

431





**Q:** Overall, how satisfied or dissatisfied are you with the choice of candidates for the Republican nomination for president next year?  
Among Republicans and GOP-leaning independents



# U.S. Senate: 2012 Election Cycle

	DEM	GOP	OUTLOOK
Partisan Breakdown	51 + 2 Is	47	
Seats up in 2012	<u>33</u> 23                      10		
TOSS UP	7	2	TOSS UP
LEAN D	2	0	LEAN R
LIKELY D	4	3	LIKELY R
SOLID D	10	5	SOLID R

Source: Cook Political Report, April 11, 2011

# U.S. Senate: 2012 Election Cycle

## ■ Democratic Races – Toss Up

- ▶ McCaskill (MO)
- ▶ Tester (MT)
- ▶ Nelson (NE)
- ▶ New Mexico Open (Bingaman)
- ▶ North Dakota Open (Conrad)
- ▶ Virginia Open (Webb)
- ▶ Manchin (WV)

## ■ GOP Races – Toss Up

- ▶ Brown (MA)
- ▶ Nevada Open (Ensign)

■ ***GOP Senators Are  
More Concerned with  
Tea Party Primary  
Opponents***

# U.S. House – 2012 Election Cycle

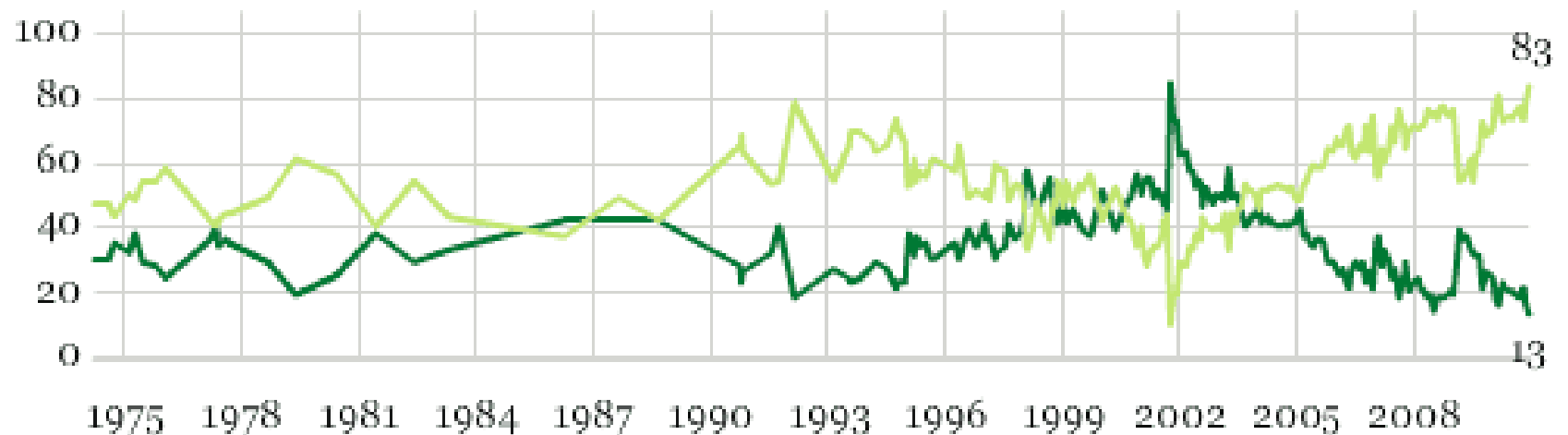
- 435 House seats up in 2012
- Redistricting is still biggest unknown
- California will be major battleground
  - ▶ 1 out of 6 House seats changed in '10 nationally;  
*None switched parties out of 53 CA House seats*
- Primary challengers are still biggest concern for most incumbents, especially GOP members

# Congressional Polls

*Do you approve or disapprove of the way Congress is handling its job?*

Full trend

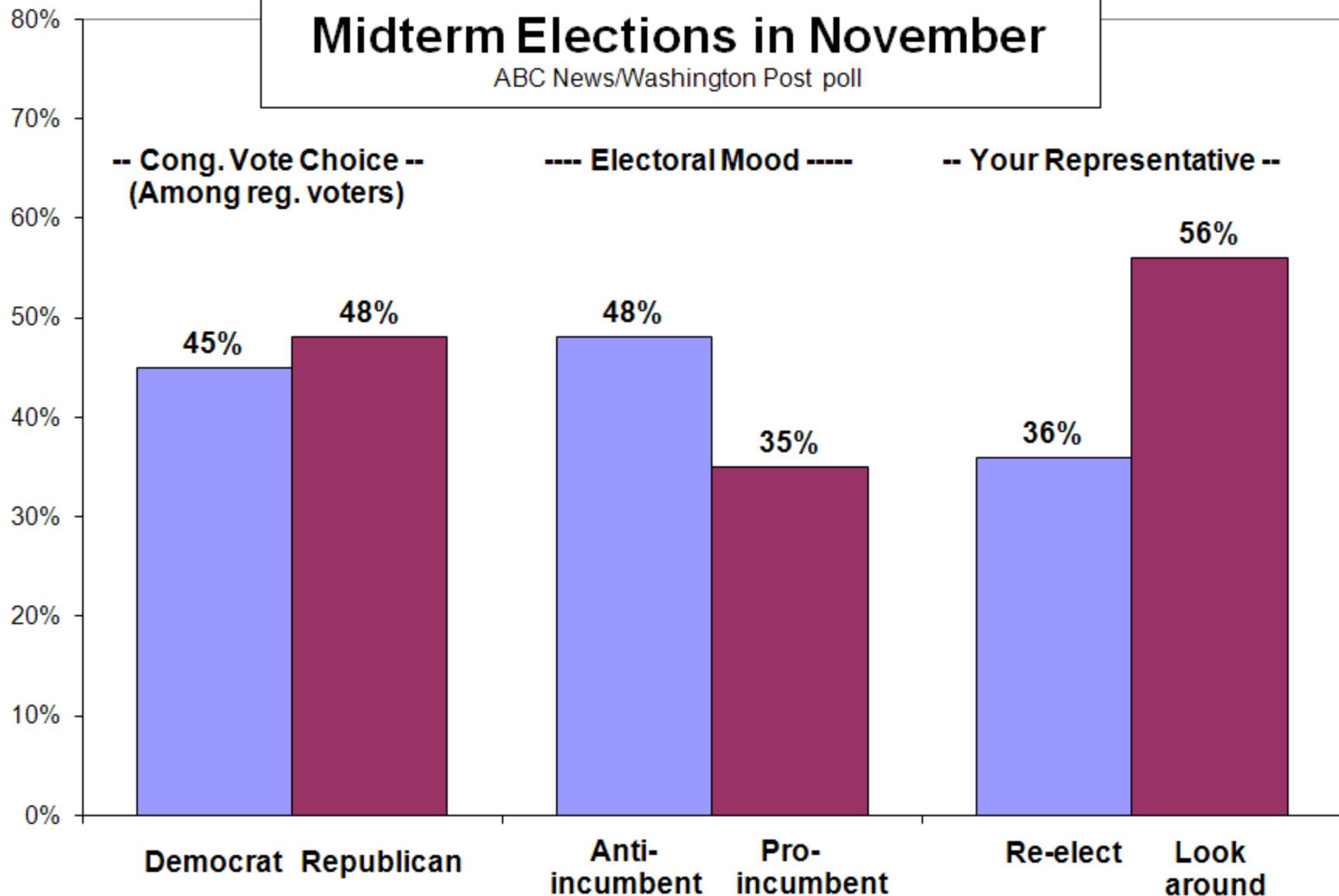
■ % Approve    ■ % Disapprove



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# Midterm Elections in November

ABC News/Washington Post poll





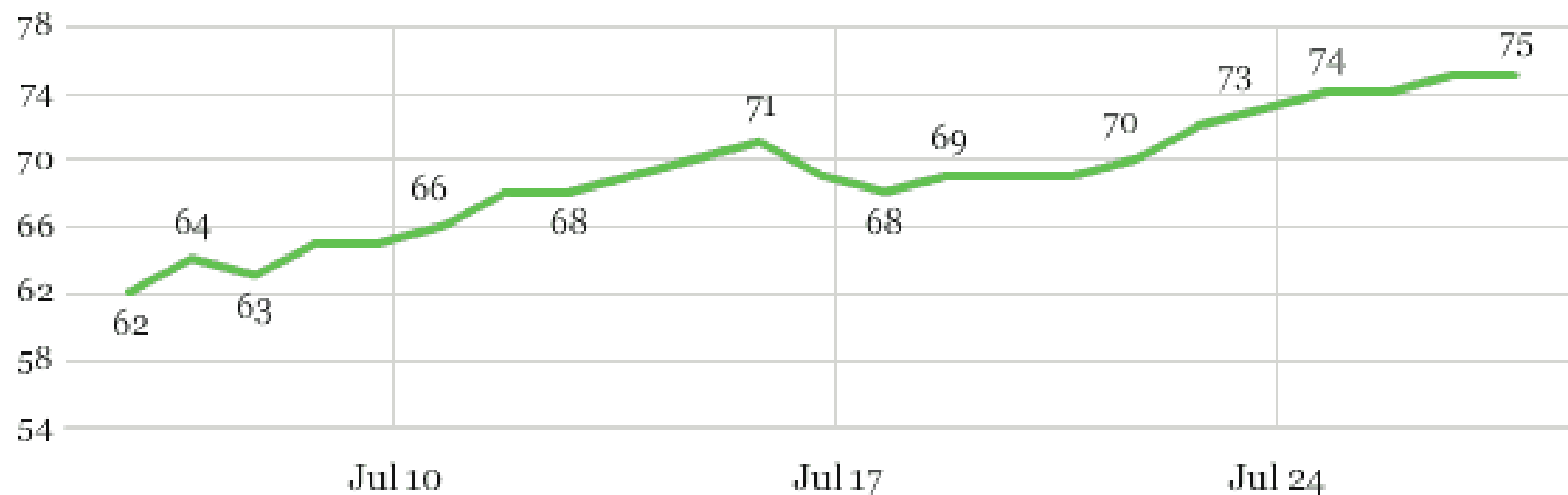


# Politics of the Federal Agenda

# Politics of the Federal Agenda: The Economy

*Percentage of Americans Saying Current Economic Conditions Are "Getting Worse"*  
*July 2011*

Rolling three-day averages beginning July 3-6

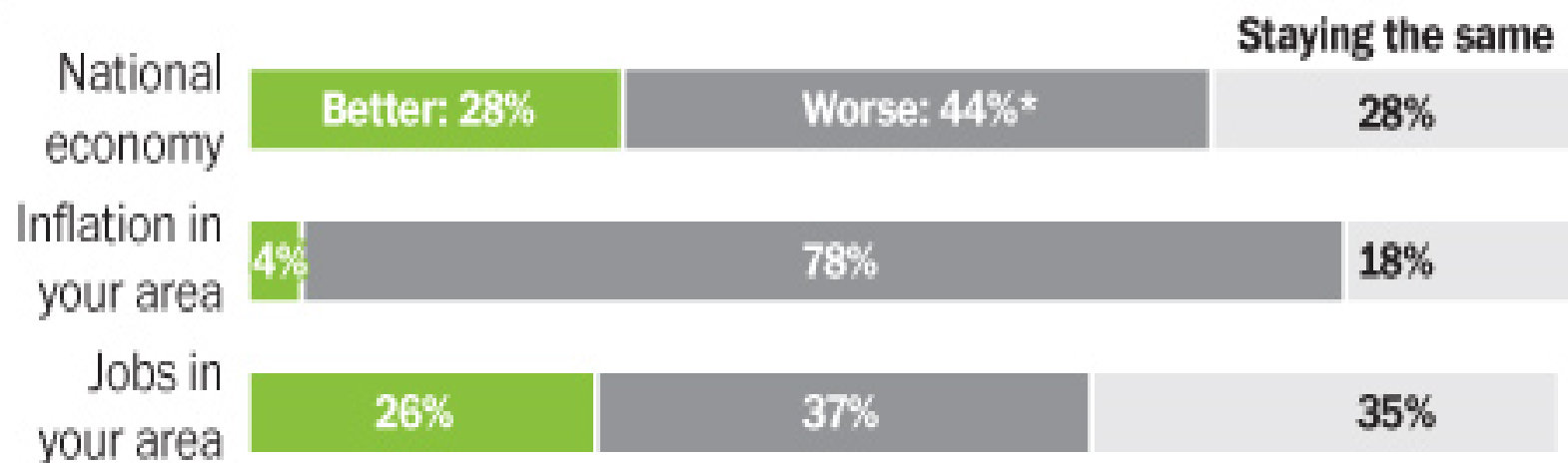


Gallup Daily tracking

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# Politics of the Federal Agenda: The Economy

**Q:** Is ... getting better, getting worse or staying about the same?



\*Highest level in more than two years.

# Politics of Federal Agenda: Unemployment Rates and GDP Growth

## ● Unemployment Rates

- ▶ Dec 2007 = 4.9 percent
- ▶ Jan 2009 = 7.6 percent
- ▶ Oct 2009 = 10.2 percent, highest since April 1983
- ▶ June 2010 = 9.6 percent
- ▶ Feb 2011 = 8.9 percent
- ▶ May 2011 = 9.1 percent
- ▶ June 2011 = 9.2 percent
- ▶ July 2011 = 9.1 percent

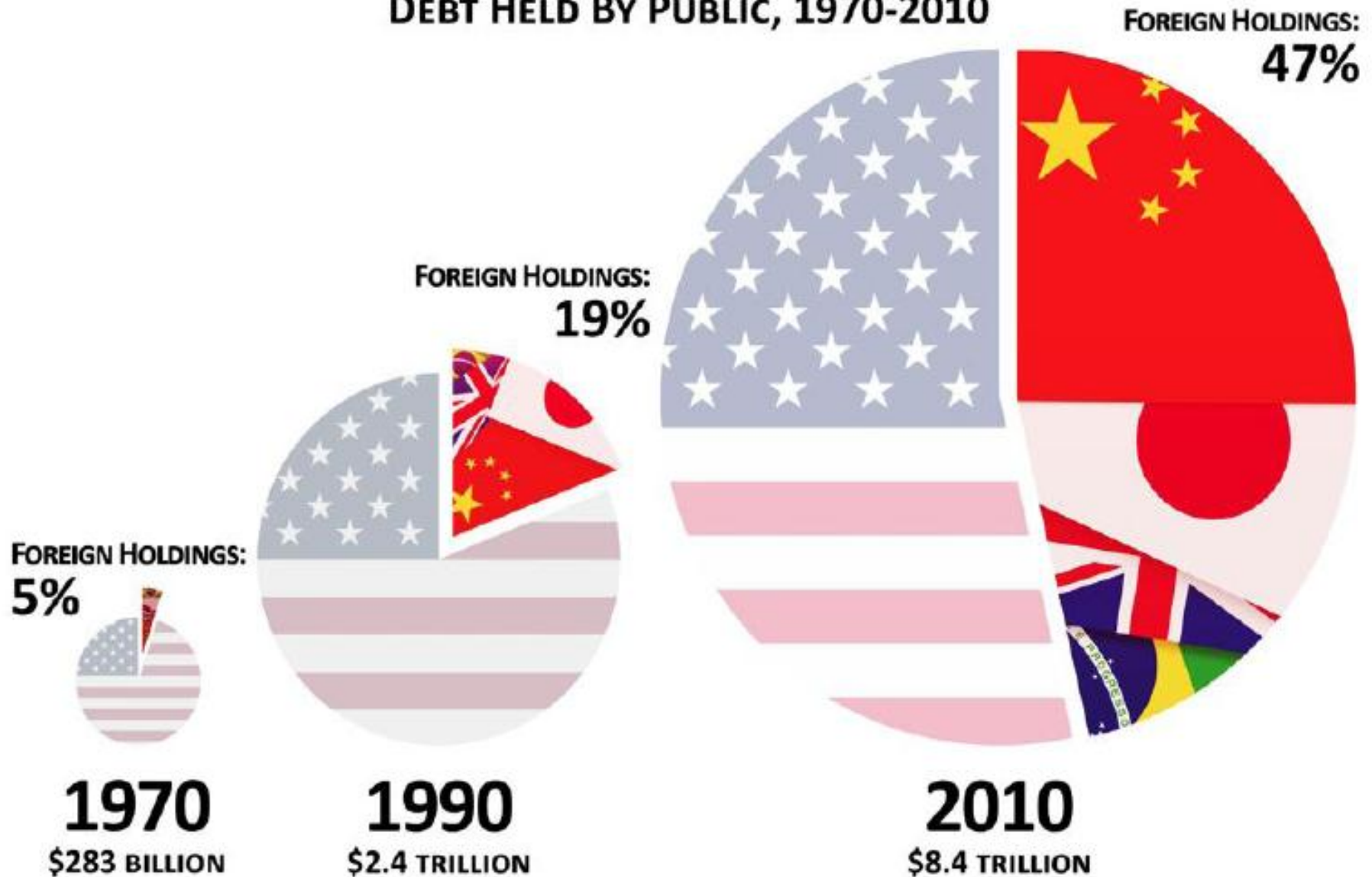
## ● GDP Growth is Key Political Measurement

# Reality of the Federal Budget

- **Debt Ceiling: Hit \$14.3 Trillion August 2; Now \$14.64 Trillion**
- Despite Debt Agreement, Standards & Poor's downgraded credit rating
- Fed govt. borrows 40 cents of every dollar spent
- Today, national debt is 69% of GDP vs. 2008 was 40%
- CBO estimates rise to 109% by 2023 – the record set in WWII
- Every 1% increase in debt interest rates = \$150B (37 yrs of CDBG)

# WHO OWNS OUR DEBT?

DEBT HELD BY PUBLIC, 1970-2010



SOURCE: U.S. DEPARTMENT OF TREASURY

# Debt Deal

**Budget Control Act of 2011 (S. 365)**  
**Passed August 1**





# Joint Select Committee on Deficit Reduction “Super Committee”



PHOTOS: GETTY IMAGES



# Key Dates for the Super Committee

<b>September 16, 2011</b>	First meeting of the Joint Committee
<b>Between October 1 and December 31, 2011</b>	Both houses of Congress must vote on a Balanced Budget Amendment
<b>October 14, 2011</b>	Deadline for House and Senate committees to submit recommendations for mandatory program/ revenue changes to the Jt. Committee
<b>November 23, 2011</b>	Deadline for the Jt. Committee to vote on a plan to achieve \$1.5 trillion in deficit reduction from 2012 through 2021. If they reach agreement with at least seven votes they must make recommendations to Congress and the President by Dec. 2
<b>December 23, 2011</b>	Deadline for final action on Jt. Committee bill by House and Senate
<b>January 15, 2012</b>	Date that the "trigger" leading to \$1.2 trillion of future spending cuts goes into effect if the Jt. Committee's legislation has not been enacted; automatic spending cuts to both defense and non-exempt domestic programs would occur
<b>February 2012</b>	The first \$900 billion of debt ceiling increase runs out
<b>No later than January 2 of each year, 2013 through 2021</b>	Discretionary sequestration (automatic spending cuts) imposed if discretionary caps breached

# Will the New Committee be Effective?

**Former House Speaker Newt Gingrich  
During the Iowa GOP Debate:**

"about as a dumb an idea as Washington has come up with in my lifetime...The idea that 523 senators and congressmen are going to sit around for four months while 12 brilliant people, mostly picked for political reasons, are going to sit in some room and brilliantly come up with a trillion dollars, or force us to choose between gutting our military and accepting a tax increase, is irrational."

# Most Americans Want Compromise

*As you may know, as part of the agreement to raise the debt ceiling, Congress will appoint a special committee to look at ways to further reduce federal spending and the national debt. If that committee does not reach an agreement, the law would impose major cuts in most federal spending including Medicare and defense. What would you like the members of this committee who represent your views on spending and the debt to do?*

	<b>National adults</b>	<b>Repub- licans</b>	<b>Indepen- dents</b>	<b>Demo- crats</b>	<b>Tea Party supporters</b>
	%	%	%	%	%
Hold out for plan you agree with, even if it prevents committee from reaching an agreement	35	42	36	29	53
Agree to compromise plan, even if it is a plan you disagree with	60	55	57	67	41
Don't know/Refused	5	3	7	4	6

USA Today/Gallup, Aug. 4-7, 2011

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# Federal Budget Outlook

- 1. FY11 Final CR: Lessons Learned**
- 2. FY12 House Budget Resolution (Ryan Plan)**
- 3. FY12 Appropriations**

# **1. FY11 Final CR: Lessons Learned**

# FY11 Final CR: Lessons Learned

- Overall cut of \$40B in FY11 spending (\$28B + \$12B)
- Across-the-board cut of .02% for non-defense accounts
- Many state and local block grant program cuts
- No project earmarks; Money put into savings
- No “Statement of Managers”
- Spend Plans

# EDA in the FY11 Final CR

## ● Economic Development Administration

- ▶ **\$284M, Cut of \$9M = Same as Obama Request**
- ▶ **Agency Had 60 Days to Submit Detailed Spend Plan**
  - Retained the EDD/RPC planning grant program at FY10 levels of \$31M, keeping extra \$10K per EDD
  - Moved \$90M from public works to economic adjustment assistance, including for national initiatives

## **2. FY12 House Budget Resolution**



# FY12 House Budget Resolution

- **Sets Cap for Discretionary Spending in Appropriations**
  - ▶ Does NOT Require President's Signature
- **FY12 House Budget Targets**
  - ▶ FY12 Resolution Cuts \$30B; \$7B Below Original H.R. 1
  - ▶ GOP Plans All Cuts from Non-Defense Accounts;  
\$468B in 2011 to \$438B in 2012, a 6.5% Reduction
- **U.S. Senate Has Yet to Unveil a Budget Res.**

# FY12 House Budget Resolution

## ■ Community and Regional Development

- ▶ Targets CDBG, CDFI and HUD Brownfields for Cuts
- ▶ Targets FEMA Flood Insurance Program for Cuts

## ■ Transportation

- ▶ Eliminates High Speed Rail Funding under U.S. DOT
- ▶ Terminates New Starts and Small Starts under FTA
- ▶ Balance Highway Trust Fund
- ▶ Phase Out Essential Air Service Program under U.S. DOT

## **3. FY12 Federal Appropriations**

# FY2012 Federal Appropriations

## ■ Recent History

- ▶ In 2008, Democrats moved only 1 spending bill to House Floor; only 5 of 12 bills reported out of committee
- ▶ In 2010, House failed to adopt budget resolution
- ▶ In 2010, only 2 spending bills passed committee and floor
- ▶ This year, House has passed 6 bills: HS, Milcon, AG, Defense, E&W, LB

# FY2012 Federal Appropriations

## ■ FY12 Appropriations Timeline

- ▶ House Chairman Rogers (R-KY): Pass all 12 bills in Fall
- ▶ Will stick to Debt Deal cap of \$1.043 trillion
  - This is \$7 billion less than current level
  - Endorses higher level than House Budget Resolution of \$1.019 trillion (\$30 B below current level)
- ▶ No timeline announced by Chairman Inouye (D-HI) in Senate
- ▶ Start of FY12: October 1, 2011 =
- ▶ **Possible Omnibus or Continuing Resolutions**

# FY12 EDA Appropriations

- **EDA funded under Commerce, Justice, Science Appropriations Bill**
- **House passed bill through committee; Senate has not introduced bill**
- **House provided \$258M for EDA, \$26M below FY2011 levels and \$67M below President's request**
- **Economic Development Assistance Programs:**
  - ✓ Planning Program: maintained at \$31M
  - ✓ Public Works: cut to \$123.28M, down from \$158.28M in FY10
  - ✓ Economic Adjustment: increased to \$81M, up from \$44M in FY10
- **Salaries and Expenses: \$37.92M, Same as FY11**
- **New Items:**
  - ✓ \$5M in grants to attract U.S. jobs that have gone to other countries back into the U.S.
  - ✓ \$5M in loan guarantees for innovative manufacturing technologies

# FY12 Federal-State Regional Commissions

## Appalachian Regional Commission

- Funded under Energy & Water Appropriations Bill
- Bill has passed House; draft in Senate
  - ▶ **FY10:** \$76 million
  - ▶ **FY11:** \$68.26 million
  - ▶ **FY12 House:** \$68.4 million (\$137,000 above FY11)
  - ▶ **FY12 Senate:** \$58.024 million

# FY12 Federal-State Regional Commissions

## Delta Regional Authority

- **FY10:** \$13 million
- **FY11:** \$11.67 million
- **FY12 House:** 11.7 million
- **FY12 Senate:** \$9.925 million



# FY12 Federal-State Regional Commissions

## **Denali Commission:**

- FY10: \$11.97 million
- FY12 House: \$10.7 million
- FY12 Senate: \$9.07 million

## **Northern Border Regional Commission:**

- FY11: \$1.497 million
- FY12 House: \$1.35 million
- FY12 Senate: \$1.275 million

## **Southeast Crescent Regional Commission:**

- FY11: \$250,000
- FY12 House: \$250,000
- FY12 Senate: \$212,500

# HUD Appropriations

## Housing and Urban Development:

- Funded under Transportation HUD Appropriations Bill
- Draft Released in House; No Senate bill
- Overall, received \$38.1 billion, a decrease of \$3 billion from FY11
- Several housing programs increased:
  - Vouchers for homeless veterans: \$75 million (increase of \$25 million)
  - Housing for the elderly: \$600 million (increase of \$200 million)
  - Housing for Persons with Disabilities: \$196 million (increase of \$46 million)

# HUD Appropriations

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**Under Community Planning and Development:**

**CDBG: \$3.5 billion, level with FY11**

- Caps CDBG funds that may be used for administrative expenses at 10% (down from 20%)
- Bill contains no funding for sustainable, livable or green community development programs

# FY12 Homeland Security Appropriations

- House has passed H.S. Bill; Senate working on draft
- Key House bill highlights:
  - ✓ **Federal Emergency Management Agency (FEMA):** \$5.3B, a decrease of \$1.9B from FY11
  - ✓ **FEMA State and Local Programs:** \$1B, a decrease of \$2.1B from FY11
  - ✓ **Disaster Relief Fund (DRF):** \$2.65B, an increase of \$850M from FY11
  - ✓ **Emergency Management Performance Grants:** Fully funded at \$350M
  - ✓ **Firefighter Assistance Grants:** \$350M, a cut of \$460M from the FY10 level
  - ✓ **National Flood Insurance Fund:** \$170M
    - ✓ \$149M for flood plain management and flood mapping, and \$40,000 for flood mitigation assistance
  - ✓ **Flood Hazard Mapping and Risk Analysis Program:** \$102.7M down from \$182M
  - ✓ **National Pre-Disaster Mitigation Fund:** \$40M, down from \$100M in FY10

# FY12 USDA Rural Development

## Agriculture Bill Passed by House; Draft in Senate

### HOUSE HIGHLIGHTS:

- **502 Single Family Direct Loans:** \$40M to support \$846M in direct loans (program authority cut of \$276M) and \$24B in guaranteed loans (same as FY11).
- **504 Very Low-Income Repair Loans and Grants:** Eliminates loan program but provides \$32M for grants (\$8M below FY11)
- **538 Rental Housing Guaranteed Loans:** Eliminates funding (\$30.9 million in FY11)
- **Community Facilities Program:** \$18M to support grants and up to \$1.1B in direct loans. Grants and subsidies were cut from last year's level of \$41.3M, the overall loan program was increased by \$647M.
  - ▶ \$3M is specifically directed to the Rural Community Development Initiative, down from \$5M in FY11.

# FY12 USDA Rural Development

- **Rural Cooperative Development Grants:** \$22.5M, a decrease of \$7M from last year's level.
  - ▶ \$12.5M for value-added agricultural product market development grants.
- **Business and Industry Program:** \$64.5M (\$20.78M below last year) to support \$626.95M in loans for rural businesses. Down from the FY11 program level of \$822M
- **Rural Water and Waste Programs:** \$500M for rural water and waste grant and loan programs, \$27M below FY11. Supports \$730M in rural water and waste loans, down \$242M.
- **Distance Learning and Telemedicine Program:** \$15M for grants, down \$53M from FY11 CR
- **Rural Electric and Telecommunication Loans:** \$7.3B in loan authority (\$500M below last year)

# Administration Priorities

- **Consolidation/ Elimination** of duplicative Federal economic & community development programs
- **Quality of Place** remains major theme
- **Regional Innovation Clusters** with strong role for university-led commercialization
- **Sustainable / Livable Communities Agenda** has evolved to sustainable economic development
- **Interagency Partnerships are Key** – WH Council on Rural America; i6 Challenge; i6 Green; Jobs Accelerator; Stronger Cities, Stronger Communities

# Preparing for 2013

## Aug. 17 OMB Directive for FY2013

- Set fiscal 2013 budget requests at 5% below the 2011 level
- Identify additional 5% for “worst case scenario”
- Directs agencies against across-the-board cuts, but instead at specific programs
- Directs agencies to identify programs that deserve additional funding
- No deadline set for submission of identified cuts





# NADO Policy Priorities Update

# NADO Policy Agenda

- White House and GAO Review of Regional Development Programs
- EDA Appropriations and Reauthorization
- SAFETEA-LU Reauthorization, with RPO Legislation
- HUD Community Development Block Grant (CDBG) Funding
- FEMA Support for State and Local Preparedness and Response
- HUD-DOT-EPA Sustainable Development Initiative
- USDA Rural Development in 2012 Farm Bill
- Opportunities and Threats with WIA, SBA, EPA and HUD
- EPA Brownfields: Repeal Administrative Cost Prohibition

# Transportation Reauthorization

## NADO Priorities for Transportation Reauthorization:

### ■ RTPO Bill

- ▶ Reps. Tim Walz (D-MN) and Richard Hanna (R-NY): H.R. 1565
- ▶ Sens. Amy Klobuchar (D-MN) and Lamar Alexander (R-TN): S. 625
- ▶ Strengthen role of rural local officials in the statewide transportation planning and investment process by establishing and giving federal recognition to RTPOs for areas outside the boundaries of MPOs

### ■ MPO Threshold Issue

- ▶ More than 200 of the nation's 382 MPO's would lose their MPO designation if threshold was changed
- ▶ Hopeful from committee staff feedback--grandfather existing but raise to 100,000 or 200,000 for new

# Transportation Reauthorization

- House T&I Chairman John L. Mica (R-FL): Six-year, \$230B plan
- Senate EPW Chairman Barbara Boxer (D-CA): Two-year, \$109B plan
- President Obama's FY12 budget request: Six-year, \$556B plan
- Both House and Senate measures likely to consolidate federal highway programs from about 70 to 30
- No agreement on how to fund the long-term bill. Options include tolls, infrastructure bank, and a vehicle miles traveled (VMT) tax
- Further extension of programs under SAFETEA-LU most likely needed

# FY11 EDA Reauthorization

## ● FY11 EDA Reauthorization

- Senate EPW introduced S. 782
- Became platform for a partisan-charged political battle
- 90 amendments offered to 29-page reauthorization bill
- Pulled from the Senate floor
- EDA has not been reauthorized since 2008 yet receives funding through the appropriations process
- House has not yet considered a reauthorization measure
  - **Held first hearing July 27: “The Economic Development Administration: How to Improve Effectiveness through Reforms and Consolidation”**

# Perspective is Important!

## ■ How Much Is \$40 Billion in 2007?

- ✓ 1 Year Profits of Exxon Mobil
- ✓ Total Annual Federal Highway Program Budget

## ■ How Much Is \$12.5 Billion?

- ✓ One Month War Costs for Iraq and Afghanistan
- ✓ More Than 4 Years of CDBG for 1,117 Urban Communities and 50 States

## ■ How Much Is \$400 Million?

- ✓ 1 New Marine One Helicopter for President
- ✓ 1.5 Years of U.S Economic Development Administration (EDA) Funding

# Keys Grassroots Advocacy

## Most powerful tools remain:

- Know the political landscape
- Build personal relationships and build trust
- Provide timely, concise and accurate information
- Become a valued partner and resource
- Be persistent and engaged in the process

# Final Thoughts...

- Status Quo Is NOT an Option at Federal Level!
- Local Governments Must Identify Top Priorities and Fight for Them!
- In Post-ARRA World, Relationship between Feds with State and Local Govt. Has Changed – *There Can Be No Sense of Entitlement, Only Partnerships!*
- Jobs, Jobs, Jobs and More Jobs!



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