A Timely and Trusted News Source for the Nation's Regional Planning and Development Organizations

SPECIAL EDITION | 2011 NADO ANNUAL TRAINING CONFERENCE | OCTOBER 8-11 | MIAMI, FLORIDA

A Review of Federal Legislative Activity Impacting Regional Development Organizations

During the current year, federal politics and policies have revolved around the two central themes of spurring job creation and addressing the historic rise of the nation's federal debt and deficits. As a consequence, the missions, performance and budgets of the entire portfolio of federal community, economic, transportation and workforce development programs are under an intense microscope.

With the two major political parties promoting competing ideas to address the nation's fiscal challenges and jumpstart the economy, Congress and the administration struggled to complete action on the twelve FY2011 spending bills for defense and non-defense discretionary programs.

After operating on a series of short-term continuing resolutions (CRs) for more than six months, President Obama and Hill leaders finally reached a compromise with the seventh and final CR (H.R. 1473) in April 2011. The deal provided $1.055 trillion for discretionary spending, $39.9 billion below FY2010.

Immediately following the FY2011 budget battles, attention turned to the pending crisis of the federal government facing its first ever financial default on its debt payments. With mounting pressure from Main and Wall Streets as well as global creditors, congressional leaders negotiated a deal to increase the debt ceiling in the short-term while pursuing a framework for a long-term deficit reduction plan.

On August 2, after nearly three months of intense debate, Congress passed the "Budget Control Act of 2011" (P.L. 112-25), which immediately raised the $14.3 trillion debt ceiling by $300 billion. Even though the country narrowly averted a default on its obligations, Standard and Poors still downgraded the U.S. credit rating. This action is keeping significant pressure on federal policymakers to address the immediate and long-term structural challenges that are present under our existing tax, spending and defense policies.

As part of the debt deal, a new 12-member bipartisan joint congressional committee, known as the Super Committee, was established to cut at least $1.2 trillion from the federal budget over the next 10 years. The panel must send their proposal to the full Congress by December 2, with final up-or-down votes, and no amendments, required in both chambers by December 23. If the Super Committee fails to reach an agreement or Congress rejects the plan, there will be severe automatic, across-the-board cuts. The first automatic cuts would take effect January 2, 2013, and would impact defense, entitlement and non-defense accounts.

At the same time, the House and Senate Appropriations Committees were tasked with moving forward on the dozen spending bills for FY2012. As of October 1, 2011, the official start of the current fiscal year, the House has only passed six appropriations bills and the Senate only one. None have been signed into law. Therefore, the federal government is operating under another CR until November 18. Congressional leaders are now working to wrap up a final FY2012 omnibus spending deal before the end of the CR.

The following report highlights federal community and economic development policy issues and trends that impact regional development organizations.

WHITE HOUSE ESTABLISHES RURAL COUNCIL

On June 9, President Obama signed an Executive Order establishing the White House Rural Council to "coordinate programs across government to encourage public-private partnerships to promote further economic prosperity and quality of life in rural communities nationwide." Chaired by Secretary of Agriculture Tom Vilsack, the council has been hosting a series of listening sessions and workshops across the country. Under the broad themes of job creation and economic development, the events have focused mostly on value-added agriculture and energy, access to capital, regional innovation, health care, education, infrastructure and broadband.

NADO has been actively engaged with the Rural Council. In August, NADO President Tim Ware participated in President Obama's rural tour in Iowa and NADO Executive Director Matthew Chase has participated in several of the council's meetings.

PRESIDENT PROPOSES NEW PLAN FOR JOB CREATION

Before a Joint Session of Congress on September 8, President Obama unveiled a new plan to stimulate the economy. The "American Jobs Act," estimated at $447 billion, would extend unemployment insurance, payroll tax cuts, hiring incentives, and provide greater funding for public schools, high-speed wireless Internet access, and a new "Project Rebuild" targeted at putting people to work rehabilitating homes, businesses and communities. The proposal reserves $5 billion to prevent and reverse layoffs of emergency first-responders and $5 billion to modernize community colleges. It also includes $50 billion in new transportation infrastructure spending, plus an additional $10 billion for a national infrastructure bank.

With no clear way to pay for the bill, the Republican-led House has rejected the measure in its entirety but has indicated a willingness to consider individual provisions. Senate Democratic leaders have formally introduced the President's bill (S. 1660), but further action has been stalled as they debate funding mechanisms and struggle to build support within their own political caucus.

EDA REAUTHORIZATION FAILS IN SENATE

Congress and the administration are still struggling to pass a multi-year reauthorization package for the U.S. Economic Development Administration (EDA). EDA's previous multi-year authorization law lapsed at the end of FY2008, so the agency continues to operate year-by-year through the annual appropriations process.

On April 14, the U.S. Senate Environment and Public Works Committee adopted a bipartisan, five-year EDA reauthorization bill (S. 782). The bill, introduced by Chairman Barbara Boxer (D-CA), Ranking Member James Inhofe (R-OK) and subcommittee Chairman Max Baucus (D-MT), would reauthorize EDA for five years and contains a number of NADO-supported provisions. These include raising the minimum authorization level for the EDA Partnership Planning program to $31 million with the potential for additional increases as the agency's overall budget increases; codifying federal-local match rates for projects and programs in distressed areas, including restoring unnecessary regulatory changes made in 2005; clarifying in statute the responsibilities of Economic Development Districts (EDDs); and strengthening local flexibility for Revolving Loan Fund (RLF) intermediaries.

While the EDA reauthorization bill was brought to the full Senate floor with strong bipartisan committee support in June 2011, the measure became a vehicle for highly charged political debates on mostly non-germane issues, including the federal debt ceiling and federal subsidies for the ethanol industry.

After weeks of debate and filibuster delays caused by more than 90 potential amendments to EDA's 29-page

As a result, the EDA reauthorization bill was pulled from the Senate floor before a vote on final passage.

reauthorization bill, Senate Majority Leader Harry Reid (D-NV) tried to end the partisan filibuster and pass a cloture motion. Needing 60 votes for passage, the motion was defeated (49-51) with four Democratic Senators opposed to a policy rider related to the ethanol industry joining all Republicans in defeating the motion. As a result, the EDA reauthorization bill was pulled from the Senate floor before a vote on final passage.

The U.S. House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management, chaired by Rep. Jeff Denham (R-CA), held an EDA oversight hearing on July 27. NADO Secretary Steve Etcher of the Boonslick RPC (MO) testified on behalf of the association at the House hearing. However, the House has yet to introduce or consider a formal reauthorization measure this Congress.

For more details, see the NADO legislative fact sheet on EDA reauthorization.

REVENUE SHORTFALLS STALL SAFETEA-LU REWRITE FOR HIGHWAY, SAFETY AND TRANSIT PROGRAMS

The nation's federal surface transportation programs – highways, transit and safety – are currently operating under the 8th short-term extension since the SAFETEA-LU authorization law expired on September 30, 2009. The primary reason for the stalled rewrite of the SAFETEA-LU measure remains a revenue shortfall in the Highway Trust Fund, which has resulted in Congress using more than $34 billion in general funds during the past two years to keep the account solvent.

On July 7, House Transportation and Infrastructure Committee Chairman John Mica (R-FL) released preliminary details on his long-term surface transportation reauthorization measure. The House Republican plan, "A New Direction," originally called for limiting program spending to what is currently in the Highway Trust Fund, as required by the House-passed FY2012 Budget Resolution. This translated into a six year bill at $230 billion, nearly 30 percent below the six-year SAFETEA-LU total.

The most recent SAFETEA-LU extension, effective for October 1 (beginning of the fiscal year) through March 31, 2012, is now expected to give Congress enough time to complete action on a multi-year package. However, there still remain major disagreements on new ways to generate additional revenue, divide money among the various modes, and clarify the federal role in transportation.

However, in recent weeks, the House Republican leadership has reportedly given Chairman Mica the authority to help identify new sources of funding to avoid the 30 percent cuts and craft a new six-year bill at least at the current budget levels.

Although legislative text has not been released, the House plan focuses on doing more with less, leveraging resources, consolidating programs, and streamlining project delivery. For the first time, the House proposal is also expected to contain dedicated titles for: Coast Guard and Maritime Transportation; Railroads, Pipelines and Hazardous Materials; and Water Resources and Environment.

On July 19, the Senate Committee on Environment and Public Works (EPW), which has jurisdiction over the highway title of the SAFETEA-LU bill, released information on its reauthorization priorities. Chairman Barbara Boxer (D-CA) and Ranking Member Jim Inhofe (R-OK) unveiled a two-page summary of a two-year, $109 billion measure. The Senate proposal, "Moving Ahead for Progress in the 21st Century" (or "MAP21"), aims to maintain existing transportation funding levels. Like the administration's "unofficial" draft and the House framework, the Senate also focuses on innovative financing, program consolidation, accelerated project delivery, and performance measurements.

The Highway Trust Fund, primarily supported through federal motor fuel taxes, has not generated enough money to cover authorized transportation spending since 2001. This is due to factors such as Americans driving fewer miles, purchasing more fuel-efficient cars and reducing their overall consumption of gasoline. At the same time, the federal gas tax has not been increased since 1993 and Congress approved dramatic increases in the program back in

2005. Both the House and the Senate are examining alternative methods to fund the SAFETEA-LU rewrite, including raising the gas tax, increasing mileage-based fees (VMT), tolling, bonding, and the creation of a national infrastructure bank or expansion of state infrastructure banks.

NADO CHAMPIONED RTPO LEGISLATION INTRODUCED IN HOUSE AND SENATE

On March 17, Sens. Amy Klobuchar (D-MN) and Lamar Alexander (R-TN) introduced legislation (S. 625) supported by NADO that would strengthen the role of non-metropolitan local elected officials in the statewide transportation planning process through Regional Transportation Planning Organizations (RTPOs). In the House, Reps. Tim Walz (D-MN) and Richard Hanna (R-NY), Vice Chair of the House Transportation and Infrastructure's Subcommittee on Highways and Transit, introduced companion legislation (H.R. 1565) on April 14.

Specifically, the RTPO bills would:

- Elevate the participation of rural local officials from "consultation" to "cooperation" in the statewide transportation planning process, the gateway for accessing federal surface transportation funding. These words have very specific meaning under the SAFETEA-LU law.

- Establish a federal definition and basic work program for RTPOs.

- Require state DOTs to designate and fund RTPOs to help address the transportation needs of non-metropolitan areas outside the boundaries of Metropolitan Planning Organizations (MPOs).

- Allow U.S. DOT to review and comment on state DOT processes for consultation with rural local elected and appointed officials.

In partnership with the National Association of Counties and others, NADO is working to incorporate these RTPO provisions into the broader multi-year SAFETEA-LU surface transportation reauthorization packages being developed by the House Transportation and Infrastructure Committee, Senate Committee on Environment and Public Works (highway title) and the Senate Committee on Banking, Housing and Urban Affairs (transit title).

For more information, reference the NADO RTPO legislative fact sheet.

DEBATE ON RURAL AIR SERVICE REMAINS HEATED IN FAA BILL TALKS

Congressional talks on a long-term extension of the Federal Aviation Administration's programs remain politically charged, with the major stumbling blocks include a labor union provision, slots at Washington Reagan National Airport and reforms to the Essential Air Service (EAS) program for rural and underserved areas.

The previous long-term FAA authorization measure, the "Vision 100-Century of Aviation Reauthorization Act" (P.L. 108-176), expired on September 30, 2007. As a result, most FAA programs have been operating under a series of twenty-two stop-gap extensions, with the exception of an almost two-week period in early August when non-essential FAA programs were shut down following a major political dust up between House and Senate aviation committee leaders.

Among the provisions, the congressional standoff was centered on a House provision in the short-term extension that would require a minimum distance for Essential Air Service (EAS) airports of 90 miles from the nearest medium or large hub airport. This change would have eliminated 10 rural airports from the EAS program. In addition, there was also a new $1,000 per passenger cap on EAS subsidies. Airports requiring a subsidy above this threshold would be excluded from the program. This policy shift would cut about $16 million a year in subsidies for commercial flights to remote and rural areas.

Following the temporary furlough, a new deal was reached to allow the U.S. Secretary of Transportation to issue waivers if petitioned by legislators with airports located within the 90 mile minimum limit that will lose EAS subsidies. The deal did not include the proposed $1,000 per passenger subsidy cap.

In an effort to restart House-Senate negotiations on a long-term deal, Congress cleared another FAA extension, the "Surface and Air Transportation Programs Extension Act of 2011," (P.L. 112-30), that runs until January 31, 2012.

USDA RURAL DEVELOPMENT PROGRAMS FACE RANGE OF CUTS

Most USDA Rural Development programs were reduced below current levels in the House and Senate versions of the FY2012 Agriculture Appropriations bills. The House bill provides $2.1 billion for the Rural Development title, $338 million (17 percent) below current funding and $109 million below the President's FY2012 request. Meanwhile, the Senate bill provides $2.2 billion.

The administration's FY2012 budget for USDA requested a funding set-aside within Rural Development for the Regional Innovation Initiative (RII). In essence, the Secretary could use a small percentage from a specific list of existing programs to promote regional community and economic development innovation in rural America.

The Senate bill supports the implementation of the Regional Innovation Initiative to fund projects in areas that are engaged in regional strategic development planning. The Secretary would be authorized to pool and use up to five percent of program funds from business and industry guaranteed loans; rural development loan fund; rural business enterprise grants; rural business opportunity grants; rural economic development program; rural microenterprise program; biorefinery assistance program; rural energy for America program; value-added producer grants; broadband program; water and waste program; and rural community facilities program.

The House bill does not approve the RII proposal, stating that their requests to USDA for additional information on the initiative "have gone unanswered." In addition, the House bill provides $3 million for the Rural Community Development Initiative (RCDI) and directs that none of the RCDI money may be used for the RII until USDA receives approval from the committee.

Rural Housing Service

The USDA Rural Housing Service (RHS) receives $1.03 billion in the House bill and $1.09 billion in the Senate bill, down from $1.22 billion in FY2011.

Within RHS, the House bill provides $883.06 million for the Rental Assistance Program while the Senate provides $904.65 million. Both are down from the FY11 level of $953.72 million. Mutual and Self-Help Housing Grants, which were eliminated in the President's request, are funded at $21.8 million in the House and $30 million in the Senate, down from $36.92 million in FY2011.

The Rural Community Facilities program is provided $18 million in budget authority in the House bill, approximately $23.37 million less than FY2011 and $20.4 million less than the President's FY2012 request. This budget authority would support $1 billion in direct loans and $105 million in guaranteed loans, plus $10 million in grants. The Senate provides $26.27 million in budget authority to support $1.3 billion in community facility direct loans, no support for guaranteed loans and $12.7 million in grants. The Senate also directs USDA to "conduct outreach to rural school districts and consider giving priority to applications for school food service upgrades through the Rural Community Facilities Program."

The House allocates $31.75 million for Rural Housing Assistance Grants, $2.52 million below the Senate level and $8.56 million below FY2011. The President had only requested $11.52 million.

Rural Business-Cooperative Service

The USDA Rural Business-Cooperative Service (RBS) receives $64.5 million in budget authority under the House bill, $20.78 million below FY2011 and $25.35 below the President's request. This amount would support $626 million in Business and Industry Guaranteed loans, $20 million for Rural Business Enterprise Grants and $2.25 million for Rural Business Opportunity Grants. The bill also maintains a $3 million set-aside for the Delta Regional Authority.

In comparison, the Senate provides $79.66 million in budget authority to support $822.88 million in Business and Industry Guaranteed loans (level with President's request), $29.31 million for Rural Business Enterprise Grants (level with request but $5.06 million below FY11), and $2.1 million for Rural Business Opportunity Grants ($5.38 million below request and just below the FY11 level).

The House supports a loan level of $14.75 million for the Intermediary Relending Program (IRP), while the administration proposed a loan level of $36.37 million. The Senate supports $20.66 million for IRP, a slight increase from the FY11 loan level of $19.14 million.

As requested by the administration, both the House and Senate support using $33.07 million from electric and telecommunications cooperatives' cushion of credits payment program for REDLEG. The House bill includes $22.5 million for Rural Cooperative Development Grants, $13.35 million below the request and $7.67 million below current funding. The Senate provides $27.92 million.

Although the President proposed $5.7 million to support the Rural Microenterprise Investment Program, neither the House nor Senate supported the request. This program was eliminated in the final FY2011 CR.

While the President requested $36.78 million in budget authority for the Rural Energy for America Program, the House bill only provided $2.28 million and the Senate allocated $4.5 million. This account received $4.99 million last year. The Senate budget authority would support $8.59 million in guaranteed loans and $2.25 million in grants. The house did not specify a breakdown for loans and grants.

Rural Utilities Service

Within the Rural Utilities Service (RUS), both chambers support direct loans of $730 million for water and waste disposal projects. This is nearly $40 million below the administration's request and $165.78 million below the previous year. Both chambers also eliminate subsidies for water and waste disposal guaranteed loans, which had a program level of $75 million in FY11 and the president recommended at $11.95 million. The House bill provides $327.1 million for water and waste disposal grants, $98 million below the Senate bill, $107 million below current funding, and $82.4 million under the President's request.

USDA Rural Development Programs	FY2012 President's Plan	Final FY2011 CR	FY12 House	FY12 Senate
Water and Waste Disposal Program (Direct Loans)	770.23	896.47	730.68	730.69
Water and Waste Disposal Program (Guaranteed Loans)	11.95	75.00	0.00	0.00
Water and Waste Disposal Program (Grants)	409.51	434.13	327.11	425.11
Intermediary Relending Program	36.37	19.14	14.75	20.66
Rural Business Enterprise Grants	29.87	34.93	20.00	29.31
Rural Business Opportunity Grants	7.48	2.48	2.25	2.11

For Distance Learning and Telemedicine (DLT) grants, the Senate bill provides $28.57 million, $3.8 million below FY2011 and $1.4 million below the request. The bill also includes $10.37 million for Broadband grants, $3 million below FY2011 and $7.6 million below the request. The House bill would eliminate Broadband grants but provide $14.88 million for DLT grants. House appropriators expressed concern over the national security of broadband projects funded under ARRA and therefore directed USDA to submit a report detailing the status of all approved broadband projects.

EDA FACES $25 MILLION CUT, NEW DIRECTIVES FROM CONGRESS

Despite its solid performance and traditional bipartisan support, EDA's regular budget has declined by nearly 36 percent since FY2001. EDA is facing an additional reduction of nearly 10 percent, or $25 million, for its core programs under the House and Senate versions of the FY2012 Commerce-Justice-Science Appropriations bill (H.R. 2596 and S. 1572).

While the Senate is proposing an additional $135 million for EDA to assist communities impacted by major natural disasters in 2011 with long-term, post-disaster recovery assistance, both chambers fund the agency's core programs at a level nearly $67 million below the administration's request. In a positive development, the partnership planning program is maintained at $31 million in both bills, as advocated by NADO, but funding for public works continues to face cuts each year. In addition, the House and Senate take different approaches to incorporating the administration's priorities for regional innovation, advanced manufacturing and cluster development.

As part of the appropriations process, each spending bill is accompanied by a committee print which explains in greater detail the priorities, requests and directives of the subcommittee. Following are highlights of the House and Senate committee reports for the FY2012 Commerce-Justice-Science Appropriations bill as related to EDA.

Key House Language for EDA:

- **Supplemental Appropriations:** EDA is directed to ensure its $500 million in 2008 post-disaster assistance aid and $150 million in American Recovery and Reinvestment Act (ARRA) is "expended as expeditiously as possible in a fiscally prudent manner" by its grantees.

- **Planning:** The committee requests briefings on the pending national performance evaluation of Economic Development Districts (EDDs) and the Comprehensive Economic Development Strategy (CEDS) process, including recommendations for improving the planning program.

- **Overlap of Federal Programs:** EDA must address the GAO report on duplicative federal economic development programs and explain how EDA's programs are unique within the federal system. In addition, the agency is directed to work with GAO and the Commerce Inspector General to develop a reporting system that collects and verifies the performance data of its grantees.

EDA must address the GAO report on duplicative federal economic development programs and explain how EDA's programs are unique within the federal system. In addition, the agency is directed to work with GAO and the Commerce Inspector General to develop a reporting system that collects and verifies the performance data of its grantees.

- **Technical Assistance**: EDA must report on the effectiveness and management of the University Center and Trade Adjustment Assistance Centers (TAAC) programs. In addition, the agency is directed to work with NIST on an overarching strategic plan for programs that invest in training the workforce for the manufacturing jobs of the future.

- **Collaboration:** The committee encourages EDA to work with the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership Program (MEP), the Minority Business Development Agency (MBDA), and the International Trade Administration (ITA).

- **Repatriation Grants:** The committee allows EDA to use up to $5 million to support U.S. companies in bringing their services, manufacturing and/or research and development activities back to the United States, especially in areas experiencing declines in manufacturing or chronic underemployment.

Key Senate Language for EDA:

- **Regional Innovation:** While taking a different approach from the administration's budget request, the committee reserves $20 million for regional innovation investments, especially to support advanced manufacturing. The agency must consider geographic equity, including rural needs, in making award decisions.

- **University Centers:** EDA is directed to commission an independent study of the University Center program, while also working to establish University Centers in states without a current program. The agency is also directed to evaluate centers every five years, rather than the current three year cycle required by law.

- **Disaster Assistance:** Senate recommends $135 million for EDA disaster relief for areas impacted by major disasters in 2011.

- **Base Realignment and Closure:** EDA is encouraged to continue working with DOD's Office of Economic Adjustment (OEA), including to assist Defense growth communities and communities impacted by closures.

- **Staffing:** Committee directs EDA to fill regional office vacancies before headquarter's openings and to report on the feasibility of locating an EDR in each state and improving field coverage.

DOE'S WEATHERIZATION PROGRAM CUT

Within the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE), the House FY2012 Energy and Water Appropriations bill (H.R. 2596) would provide $33 million for the Weatherization Assistance Program, $141 million below FY2011 and $287 million below the President's request. The Senate draft bill (S. 1572) would provide $174 million for the program. The House justified the cuts by saying that since states have an estimated $1.5 billion in unspent ARRA funds, DOE can waive the allocation formula in FY2012 to adjust funding distributions, "including increasing the allocation for states that have little or no ARRA funding remaining," to ensure that all states have funding equal to their FY2010 allocation in FY2012.

Additionally, the House bill provides level funding of $25 million for the State Energy Program, $25 below the Senate draft and FY2011, and $39 million below the request.

FEDERAL-STATE REGIONAL COMMISSIONS

Funded at $76 million in FY2010 and $68.26 million in FY2011, the Appalachian Regional Commission (ARC) is provided $68.4 million in the House FY2012 Energy and Water Development Appropriations bill, and $58.024 in the Senate bill. The President had requested $76 million for ARC in FY2012.

For the Delta Regional Authority (DRA), funded at $11.67 million in FY2011, the FY2012 House bill would provide $11.7 million and the Senate bill would cut DRA funding to $9.925 million. The President had requested $13 million for DRA in FY2012.

For the Denali Commission, funded at $11.97 million in FY2011, the FY2012 House bill provided $10.7 million and the Senate bill provided $9.07 million. The President had requested $11.965 for the commission in FY2012. The final FY11 CR also rescinded $15 million in unobligated money from previous years.

To ensure that local communities have a stake in projects funded by the Denali Commission, the House committee report would establish local cost-share requirements for construction and equipment for both distressed and non-distressed communities.

For the Northern Border Regional Commission, funded at $1.497 million in FY2011, the FY2012 House bill provides $1.35 million and the Senate bill provides $1.275 million.

For the Southeast Crescent Regional Commission, funded at $250,000 in FY2011, the FY2012 House bill provides level funding and the Senate bill cuts funding to $212,500. Although the commission continues to receive minimal appropriated funding, no Federal Co-Chair has been appointed and the Commission is not yet operational.

FINANCIAL SERVICES APPROPRIATIONS

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The FY2012 Senate Financial Services Appropriations bill (S. 1573) provides $200 million for the Community Development Financial Institutions (CDFI) Fund, $17 million above the House bill (H.R. 2434) and $27 million (12 percent) below the FY2011 enacted level of $227 million.

Under the House bill, no funds are designated for either the Bank on USA or the Healthy Food Financing Initiative. The Senate bill provides $36 million for the Bank on USA initiative and $22 million for the Healthy Food Financing Initiative.

The House committee report strongly encourages the CDFI Fund to continue its efforts related to "affordable housing, business assistance, and community services such as child care, health care, education, and job training rather than creating specialized programs, or other variations of financial and technical assistance."

> The House committee report acknowledges that "the NBRC's federal co-chair has taken preliminary steps to begin operations of the new Commission" and therefore continues to fund the Commission's administrative expenses.

SBA REQUIRES SUBSIDY FOR 7(A) AND 504 LENDING PROGRAMS

The House FY2012 Financial Services Appropriations bill provides a total of $978 million for the Small Business Administration (SBA). This amount is $23 million above the FY2012 Senate bill, $7 million below the budget request and $248 million more than FY2011. Both bills include $167 million for SBA's Disaster Loans Program Account.

For the 7(a) business loan guarantee program and the 504 certified development program, the House provides a combined $211.6 million to subsidize the programs and the Senate provides $206.8 million. Congress does not typically subsidize these programs as estimated fees collected from lenders and borrowers usually fully offset estimated government payments on losses under these programs. This year, however, Congress needs to subsidize these programs due to the economic downturn with the expectation that both programs will return to normal operation when the economy recovers.

For the Microloan Program, the House provides $3.76 million in loan subsidy to support $25 million in loans, with another $14.48 million for Microloan technical assistance. The Senate provides $3.67 million in loan subsidy, with $21.95 million for technical assistance.

The Senate bill eliminates the PRIME program for a savings of $8 million compared to FY2011, focusing resources on the Microloan program to foster the availability of microcredit for small businesses. The House bill provides $5 million for the PRIME program.

The Senate bill provides $113 million for Small Business Development Centers, $1 million above the House and level with FY2011.

For SBA's Historically Underutilized Business Zone (HUBZone) program, the House provides $2.5 million, approximately $300,000 above the Senate and FY2011 level. The House report acknowledges that there are certain rural areas that are underutilized business areas, but are excluded from HUBZone designation based on the current program authorization. The report encourages SBA to continue to examine ways to incorporate underutilized business areas into any future revisions of the Small Business Act.

The House bill also includes $8 million for the Regional Clusters initiative, $1.98 million below FY2011 and $3 million below the President's request.

HOUSE CONSOLIDATES STATE AND LOCAL HOMELAND SECURITY FUNDING

On June 2, the U.S. House of Representatives passed a discretionary spending bill (HR 2017) to fund the Department of Homeland Security (DHS). On September 7, the Senate Appropriations Committee approved a draft bill. The House bill provides $40.6 billion for the various programs and agencies within DHS, $1 billion below the Senate draft bill (unnumbered), $1.1 billion, below last year's level and $3 billion below the president's request.

For FEMA's Disaster Relief Fund (DRF), the House bill includes $2.65 billion, level with current funding. The

For the 7(a) business loan guarantee program and the 504 certified development program, the House provides a combined $211.6 million to subsidize the programs and the Senate provides $206.8 million. Congress does not typically subsidize these programs as estimated fees collected from lenders and borrowers usually fully offset estimated government payments on losses under these programs. This year, however, Congress needs to subsidize these programs due to the economic downturn with the expectation that both programs will return to normal operation when the economy recovers.

Senate draft bill proposed $6 billion for the DRF. Another major point of contention is the House GOP drive to offset some of the increases in FEMA disaster aid.

The House bill provides $1 billion for FEMA's State and Local Programs, $1.58 billion below the Senate draft, $1.2 billion below current funding, and $2.8 billion below the request. This represents a severe 55 percent cut to these programs below the enacted level and 70 percent below FY2010.

The House bill also proposes a major consolidation of FEMA programs into the single line item "State and Local Programs." Specifically, the legislation would combine the State Homeland Security Grant Program, Urban Area Security Initiative Grant Program, Metropolitan Medical Response System, Citizen Corps Program, Rail and Transit Grants, Intercity Bus Security Grants, Port Security Grants, Interoperable Emergency Communications Grants and DHS/FEMA Training, Technical Assistance and Exercises into one block grant and provide $1 billion to be used at the discretion of the DHS Secretary.

Additional House state and local funding includes:

- **Emergency Management Performance Grants:** $350 million, level with the Senate draft and current funding

- **Urban Area Security Initiative (UASI):** The House bill combines UASI under the State and Local Programs account and provides no specific funding level; the Senate draft provides $400 million, $323 million below current funding and $520 below the request. The House report includes language that specifically limits UASI funds to the top 10 highest-risk urban areas, down from 64 in FY2010 and 31 last year.

The Senate draft provided specific funding levels to include:

- **State Homeland Security Grant Program:** $430 million, $203 million below FY2011
- **Firefighter Assistance Grants:** $670 million, $138 million below FY2011, and $140 million below the request
- **National Pre-Disaster Mitigation Fund:** $42.5 million, $7.4 million below FY2011 and $42 million below the request

The House Labor-HHS appropriations bill would make devastating cuts to Labor's Employment and Training Administration, funding it at $962 million, approximately 70 percent below FY2011.

- **National Flood Insurance Fund:** $170 million, $2 million below FY2011. Of this amount, $149 million is for flood plain management and flood mapping, and $40,000 is for flood mitigation assistance
- **Flood Hazard Mapping and Risk Analysis Program:** $92.7 million, $89 million below FY2011 and $10 million below the request
- **Emergency Operations Centers:** $15 million, $100,000 below FY2011
- **Port Security Grants:** $200 million, $45.9 million below current funding and $100 million below the request

The Senate draft does not specify funding levels for Citizens Corps, Driver's License Security, Buffer Zone Protection Program, Metropolitan Medical Response System and Interoperable Emergency Communications grants.

EPA WATER INFRASTRUCTURE FUNDS TAKE MAJOR HIT

The House FY2012 Interior and Environment Appropriations bill (H.R. 2584) provides $7.1 billion for the U.S. Environmental Protection Agency (EPA), $1.5 billion below FY2011. The Senate has not released a bill.

The bill wouldsignificantly cut the Clean Water and Drinking Water State Revolving Funds, with the Clean Water SRF reduced from $1.52 billion to $687 million and the Drinking Water SRF reduced from $963.07 million to $829 million.

The House report states that "While the Committee recognizes the importance of the Clean Water and Safe Drinking Water State Revolving Funds, these accounts

> The bill would fund significantly cut the Clean Water and Drinking Water State Revolving Funds, with the Clean Water SRF reduced from $1.52 billion to $687 million and the Drinking Water SRF reduced from $963.07 million to $829 million.

received $6 billion in the American Recovery and Reinvestment Act (ARRA) of 2009 and a 130 percent increase in funding in fiscal year 2010. Under the current allocation, these funds must inevitably shrink. The Committee believes that funding these accounts through regular appropriations is unsustainable, and the Committee encourages the appropriate authorizing committees to examine funding mechanisms for the SRFs that are sustainable in the long-term."

The bill would maintain current funding for EPA's Brownfields programs at $23.68 million, $2.7 million below the request. The bill would also provide $60 million for brownfields infrastructure projects, $39.8 million below FY2011. The report language supports the cleanup work and the ability of this program to "leverage private investment and spur redevelopment." The committee is concerned that, "given the downturn in the redevelopment and real estate markets, these sites are not being made ready for reuse as evident by the lower outlay rates for the Recovery Act funding."

Within the funds provided for State and Tribal Assistance Grants, $2 million is provided for EPA's Brownfields Technical Assistance Centers, level with current funding and the request.

MAJOR CUTS TO LABOR'S WORKFORCE PROGRAMS

Under the Senate FY2012 Labor, Health and Human Services, Education Appropriations bill (S. 1589), the U.S. Department of Labor's Employment and Training Administration (ETA) receives $3.3 billion for Workforce Investment Act (WIA) grants for adult employment and training activities, youth activities and dislocated worker employment and training activities. This is $34 million below FY2011, and $300 million below the request. The House bill (H.R. 3070) would make devastating cuts to ETA, funding it at $962 million, approximately 70 percent below FY2011.

According to the House committee report, the bulk of savings under ETA would be achieved by aligning funding for job training programs with the federal fiscal year–most programs are currently funded according to a program year–and eliminating $2.4 billion in "advance appropriations" funds that Congress includes in the spending bill for one fiscal year but which are not made available until the subsequent fiscal year.

For Adult Employment and Training, the Senate bill provides $771 million, level with FY2011 and $89 million below the request. The House bill would drastically cut this account to $207.5 million.

The Senate bill makes $100 million available for the Workforce Innovation Fund (WIF), which provides grants to support innovative workforce development strategies on the state and local level. The WIF was originally created under the final FY2011 CR, and received $125 million in funding last year. The House draft bill eliminates the WIF.

The Senate bill provides $825.9 million for Youth Training to provide eligible youth with assistance in achieving academic and employment success through improved education and skill competencies, connections to employers, mentoring, training and supportive services. This is level with FY2011 funding, and $98 million below the request. The House draft would cut this program in half, funding it at $413 million.

For Youthbuild, the Senate provides $79.84 million, level with FY2011 funding, $40 million above the House level, and $36 million below the request.

For Dislocated Worker Assistance, the Senate bill provides $1.6 billion, level with current funding and $100 million below the request. The House draft would only provide $101 million for dislocated worker employment and training activities available for the period July 1, 2012 through December 31, 2012.

Rather than providing appropriations for the Adult and Dislocated Worker programs in two allotments (typically a "base allotment is available from July 1—June 30 and an advance allotment is available October 1—June 30), under the House bill, all funding for these two programs would be made available for the period running from July 1, 2012—December, 2012. Funding under the Youth program would be available from April 1, 2012—December 31, 2012.

The Senate bill includes legislative language allowing local workforce boards to transfer up to 30 percent between the adult and dislocated worker assistance state grant programs, if approved by the state's Governor. Local boards are able to contract with eligible training providers to facilitate the training of multiple individuals in high-demand occupations. This language was also included in the President's request. The Senate and House bills also fund Community Service Employment for Older Americans at $449 million, level with current funding.

The Senate Appropriations Committee passed a bill that included only $2.85 billion for CDBG, a nearly $485 million reduction over current funding. This cut is in addition to the $600 million cut CDBG sustained in FY2011, which would result in an approximately 38 percent reduction for CDBG in two years.

LIHEAP AND AGING PROGRAMS CUT SUBSTANTIALLY UNDER HHS

For the U.S. Department of Health and Human Service's Low Income Home Energy Program (LIHEAP), the Senate bill provides $3.6 billion, $1.1 billion below current funding and $1.1 billion above the request. Of this, $3.4 billion is included for state formula funding and $199 million for the contingency fund. The House bill would cut LIHEAP funding to $3.39 billion.

The Child Care Development Block Grant is maintained at $2.2 billion in both the House and Senate bill. In accordance with the budget request, both House and Senate bills would provide $1.7 billion for the Social Services Block Grant. Head Start, funded at $7.5 billion in FY2011, would receive $7.8 billion in the Senate bill and $8.1 billion in the House bill.

Funding for the Community Services Block Grants would be maintained in the Senate bill at $678 million, but increased in the House bill to $704 million. The president had proposed to cut this program in half in FY2012.

The Senate bill provides $1.53 billion for the Administration on Aging, $4 million under the current level and $253 million under the request. The House bill provides $1.47 billion, although full details on the breakdown of proposed cuts are not yet public.

BRAC FUNDING

The House FY2012 Military Construction-VA Appropriations bill (H.R. 2055) provides $373.5 million for the Base Realignment and Closure Account 1990 (BRAC 1990), an increase of $13 million above the FY2011 enacted level and $50 million above the President's FY2012 budget. The Senate bill provides $323.5 million for the BRAC 1990 account, level with the request.

Both the House and Senate cut the Base Realignment and Closure Account 2005 (BRAC 2005) to reflect the scheduled completion of the program in 2011. The House bill provides $208.8 million, $2 billion below the FY2011 enacted level and $50 million below the request. The Senate bill provides $258.8 million.

SENATE BILL CUTS HUD'S CDBG PROGRAM; HOUSE ELIMINATES SUSTAINABLE COMMUNITIES FUND

The House FY2012 Transportation, Housing, and Urban Development Appropriations bill would provide $3.5 billion for HUD's Community Development Block Grant (CDBG) program, $165 million above the FY2011 level of $3.34 billion. The House report includes language that would cap CDBG funds for administrative expenses at 10 percent, down from 20 percent.

However, the Senate Appropriations Committee passed a bill that included only $2.85 billion for CDBG, a nearly $485 million reduction over current funding. This cut is in addition to the $600 million cut CDBG sustained in FY2011, which would result in an approximately 38 percent reduction for CDBG in two years.

The Senate bill would provide an additional $400 million for CDBG disaster funding to assist communities impacted by major disasters in 2011 with long-term recovery. The funding, which would be provided directly to state and local governments, could be used by communities to address recovery needs including those related to infrastructure, housing and economic development.

For the Sustainable Communities Initiative (SCI), the Senate bill provides $90 million within HUD's Community Development Fund to provide grants for integrated housing and transportation planning efforts on both the regional and local levels. This is $60 million below the request and $10 million below current funding. The House bill eliminates the SCI program.

Within the Senate SCI funding, $63 million would be for Regional Integrated Planning grants and $27 million is awarded for Community Challenge Planning grants. Within the Regional Integrated Planning Grants, $15.75 million is set aside for smaller communities (with a population of less than 500,000) to ensure that planning assistance will be provided to all types of communities. The Senate report directs HUD to "continue to pay special attention to the unique needs of small and rural communities that

HOUSE APPROPRIATORS EXPRESS DISAPPOINTMENT IN PRESIDENT'S FY2012 TRANSPORTATION BUDGET REQUEST

The following is an excerpt from the FY2012 House Transportation-HUD Appropriations committee report. It reflects the current debate over the pathway forward for federal surface transportation programs:

"The President's fiscal year 2012 budget for highway spending is a disservice to the American people, whose taxpayer dollars were spent developing an unrealistic plan to spend far greater amounts of money with no proposed way to pay for it. The President's budget refused to engage in the tough budget decisions necessary to maintain a robust highway system, while addressing current fiscal realities. The Committee finally notes the Administration's budget was unhelpful to the Committee in assessing program needs and priorities for fiscal year 2012. Rather than releasing its authorization proposal for due consideration by the authorizing committees in Congress, the Administration sent this Committee a budget request predicated on the assumption that its (not yet released) authorization proposal would be enacted by October 1, 2011. In short, the Administration wrote its budget request to a law that does not exist, rather than explaining and justifying current program needs based on a likely extension of current law. Consequently, the 2012 request contains no pertinent information or recommendations the Committee can use to make meaningful adjustments to the program."

would also benefit from coordinated transportation and housing planning."

For the HOME program, the Senate provides $1 billion, $200 million below the House and $607 million less than FY2011. Under the Senate report, the 25 percent match for participating jurisdictions "can be reduced or eliminated if they are experiencing fiscal distress."

For HUD's Choice Neighborhoods program, the Senate bill provides $120 million, $130 million under the request. Although not funded in FY2011, this initiative would replace the HOPE VI program and would provide competitive grants to "transform impoverished neighborhoods into functioning, sustainable, mixed-income neighborhoods with co-location of appropriate services, schools, public assets, transportation options, and access to jobs or job training."

While no funding was provided for HUD's Housing Counseling Assistance Program in FY2011, the Senate bill would provide $60 million, $28 million below the request. The Committee has restored funding for housing counseling assistance to "help individuals and families across the country make better-informed housing decisions."

HOUSE PROPOSES 30 PERCENT CUT IN HIGHWAY SPENDING, GOP LEADERSHIP NOW OPEN TO PRESERVING PROGRAM

As directed by the FY2012 House Budget Resolution, the chamber's Transportation-HUD Appropriations bill (unnumbered) cuts federal highway spending authorized by the SAFETEA-LU law from $41.1 billion last year to $27 billion. Transit funding would also be cut from $8.3 billion to $5.2 billion. The Senate would maintain current funding for SAFETEA-LU highway accounts.

However, since the release of the House spending bill, the Republican leadership has indicated a new willingness to keep highway and transit funding closer to the FY11 levels. As a demonstration of this new game plan, the House GOP leadership negotiated a deal to extend SAFETEA-LU programs with a $3.1 billion reduction under the current SAFETEA-LU extension.

Here is a breakdown of transportation spending in the House and Senate FY2012 Transportation-HUD bill:

Federal-Aid Highways: The House bill would provide $27.0 billion, the maximum amount supported by the gas-tax-fed Highway Trust Fund to support essential investments in roads and bridges. The Senate bill provides $41.1 billion, level with the FY2011 level.

TIGER Program: While the Administration requested $2 billion for the TIGER program, the House eliminated funding. Meanwhile, the Senate bill provides $550 million for the national competitive grant program, which supports significant transportation projects in a wide variety of modes including highways and bridges, public transportation, passenger and freight railroads, and port infrastructure. The Senate bill reserves no less than $120 million for TIGER projects in rural communities. The Senate total is $23 million higher than the FY2011 level.

Disaster Aid Funding: The Senate bill would increase DOT's emergency relief program to $1.9 billion from $1.5 billion whereas the House bill would not provide any funding.

Transit Investments: The House bill provides $1.55 billion for the transit "New Starts" program, a cut of about $44 million from FY2011 enacted levels. The Senate bill provides $1.95 billion, $358 million above the FY2011 enacted level for program. This funding supports projects that will provide new or expanded public transportation services.

FAA Airport Improvement Grants: The House bill provides $3.35 billion for capital investments at airports across the country. The Senate bill would provide $3.5 billion, level with FY2011.

Essential Air Service: The House bill provides $100 million in discretionary funding for the Essential Air Service (EAS) program. The Senate bill provides $143 million, down from $150 million in FY2011. Both the House and Senate provide an additional $50 million in mandatory EAS funding, level with FY2011.

High Speed Rail: The House bill eliminates funding for the High Speed Rail program, similar to the final FY2011 CR. The Senate adopted an amendment in committee that provides $100 million for the high speed rail account.