



Federal Legislative Report:

Politics, Budget, and Policy

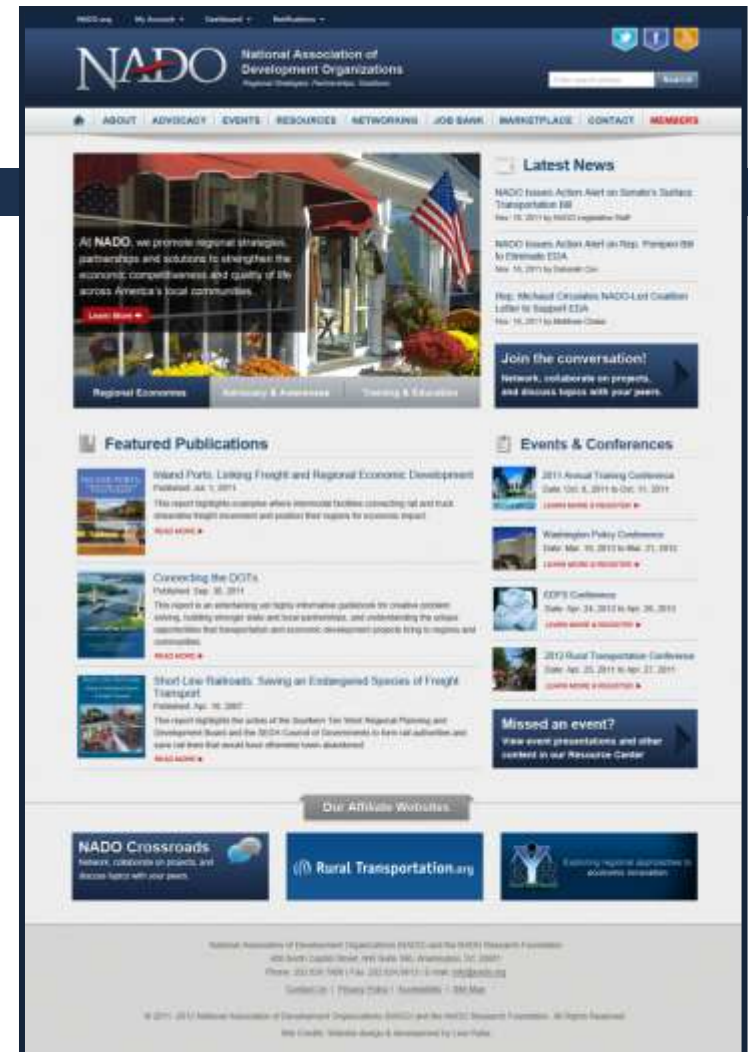
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

REGIONAL STRATEGIES. PARTNERSHIPS. SOLUTIONS

Annual Training Conference

About NADO

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



Jobs and Sustained Economic Growth. Modern Infrastructure Assets.

Workforce Readiness. Quality of Life. Vibrant Communities.

NADO Federal Policy Agenda

- ▶ White House and Hill Review of Regional Development Programs
- ▶ **EDA** Appropriations and Reauthorization
- ▶ **SAFETEA-LU Reauthorization**, with MPO and RPO Provisions
- ▶ **HUD Community Development Block Grant (CDBG) Funding**
- ▶ Key programs such as **Fed-State Commissions, WIA, SBA and EPA**
- ▶ **FEMA Support** for State and Local Preparedness and Response
- ▶ **HUD-DOT-EPA Sustainable Development Initiative**
- ▶ **USDA Rural Development** in 2012 Farm Bill

The Political Landscape



U.S. House – 2012 Election Cycle

435 House seats up in 2012

Current House Lineup:

Democrats	190
Republicans	242
Vacancies	3

	DEM	GOP	OUTLOOK
Partisan Breakdown	190 (+3 Vacancies)	242	+24 Margin
Seats up in 2012	<u>435</u>		218 is magic #
TOSS UP	7	17	TOSS UP
LEAN D	12	2	LEAN R
LEAN R	2	3	LEAN D
LIKELY D	9	16	LIKELY R
SOLID D	157	190	SOLID R

Source: Cook Political Report

U.S. HOUSE: 2012 ELECTION CYCLE

	DEM	GOP	OUTLOOK
Partisan Breakdown	51 + 2 Is	47	
Seats up in 2012	<div> <div>23</div> <div>33</div> <div>10</div> </div>		
TOSS UP	6	4	TOSS UP
LEAN D	4	1	LEAN R
LEAN R	0	0	LEAN D
LIKELY D	4	0	LIKELY R
SOLID D	8	5	SOLID R

Source: Cook Political Report, Oct

U.S. SENATE: 2012 ELECTION CYCLE

U.S. Senate: 2012 Election Cycle

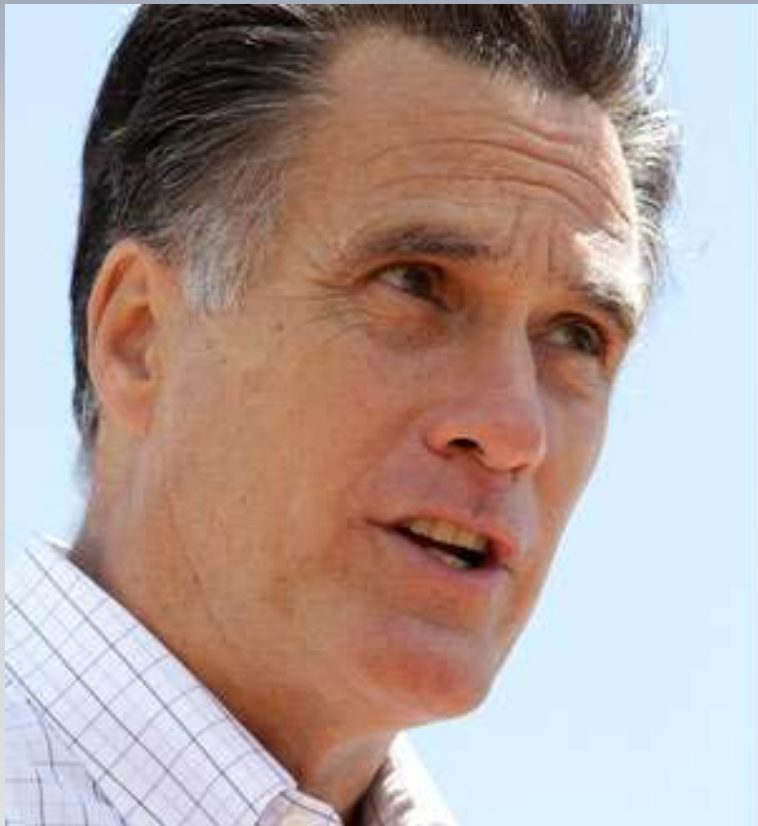
■ Democratic Races – Toss Up

- ▶ *Hawaii Open (Akaka)*
- ▶ Tester (MT)
- ▶ *North Dakota Open (Conrad)*
- ▶ *Virginia Open (Webb)*
- ▶ *Wisconsin Open (Kohl)*
- ▶ Connecticut (Lieberman-I)
- ▶ Changes:
 - ▶ McCaskill (MO)—NOW LEANING D
 - ▶ Nebraska Open (Nelson)—NOW LEANING R
 - ▶ New Mexico Open (Bingaman)—NOW LEANING D

■ GOP Races – Toss Up

- ▶ Brown (MA)
- ▶ Heller (NV)
- ▶ Lugar (IN)
- ▶ *Maine Open (Snowe)*

Presidential Election



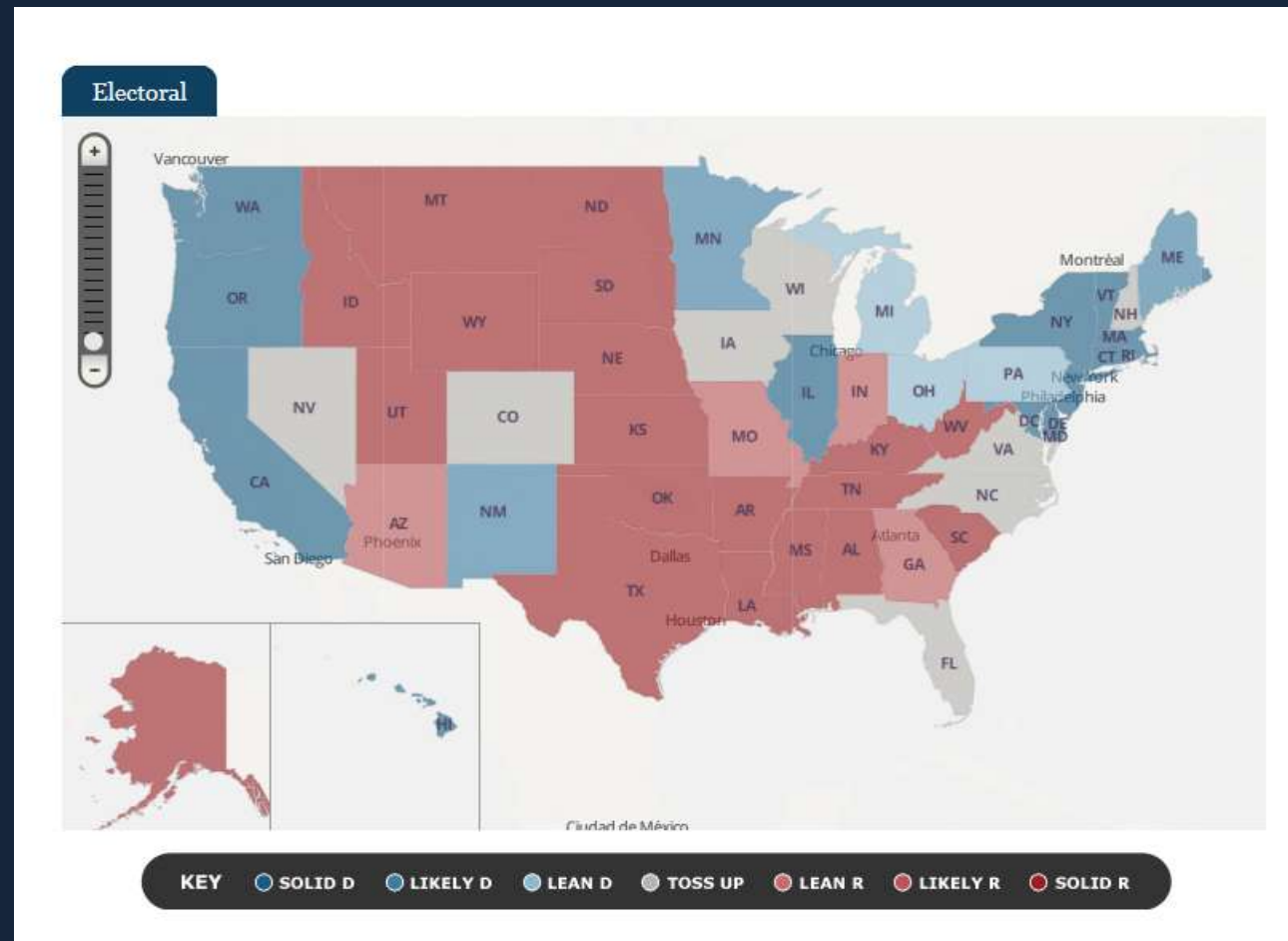
Economic Concerns Continue to Be Cited as Most Important Problem

What is the most important problem facing our country today?

31%	Economy in General
26%	Unemployment/Jobs
14%	Dissatisfaction with Government
8%	Federal debt
6%	Healthcare

STATES THAT WILL DECIDE THE ELECTION

KEY SWING STATES



Source: Cook Political Report

A Presidency in Perspective

How does Barack Obama's approval rating compare to past president's at this stage of their reelection campaigns?



Obama
48%



Bush
50%



Clinton
54%



Bush
41%



Carter
43%

Source: Gallup Presidential Job Approval Polling.

Context for Federal Policy and Budget Debates



Federal Budget Picture

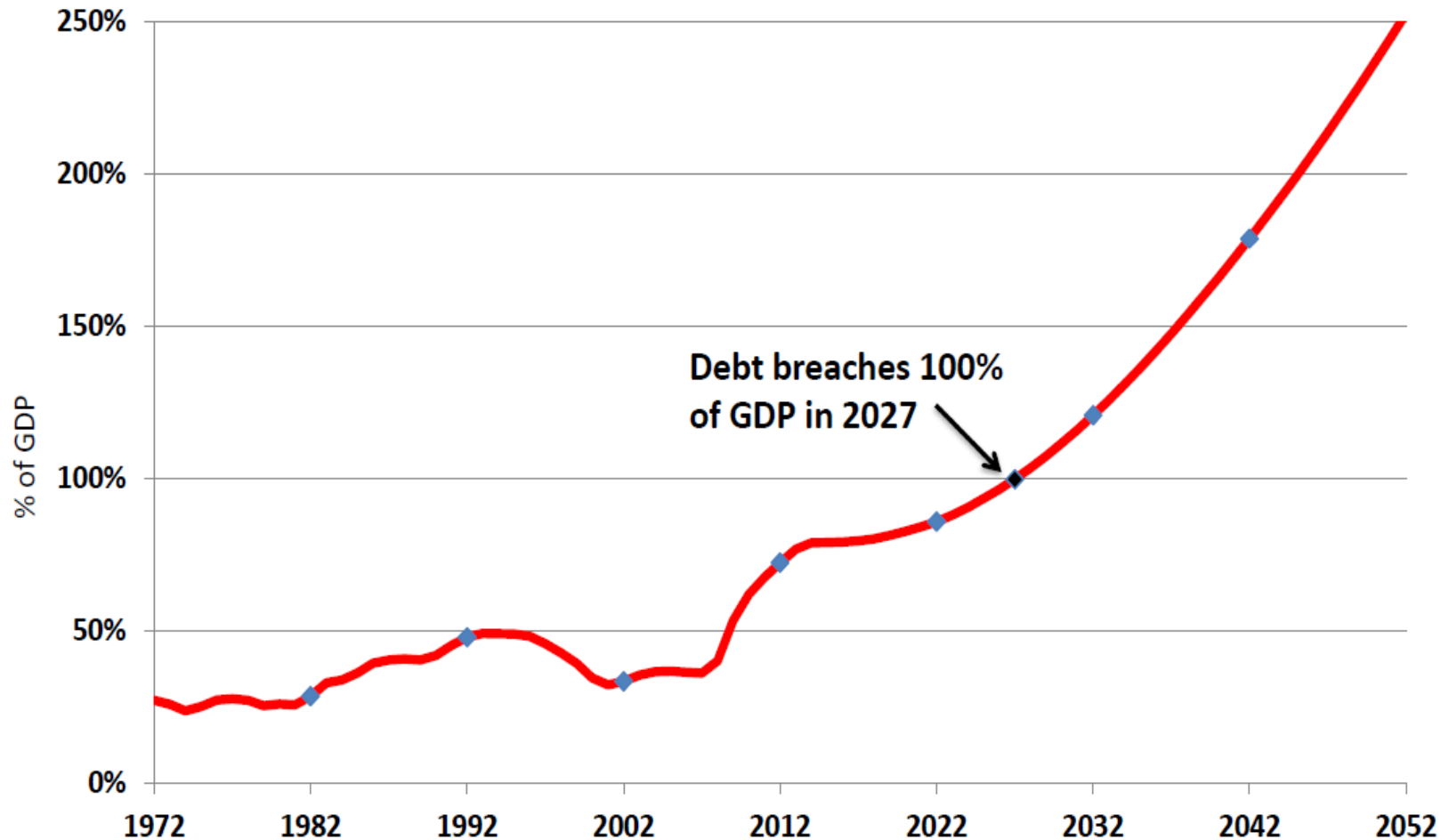
■ Debt Ceiling: Hit \$15 Trillion in November 2011

- ▶ Fed govt. borrows 40 cents of every dollar spent now
- ▶ Today, national debt is now 69% of GDP vs. 2008 was 40%
- ▶ CBO estimates rise to 109% by 2023 if no change – the record set in WWII

Outlays	FY2000	FY2005	FY2010	FY2012 Estimate	FY00-12 Change
Appropriations					
Defense / Security	\$278B	\$443B	\$815B	\$881B	+ \$603B
Non-Security	\$339B	\$487B	\$491B	\$462B	+ \$123B
Mandatory					
Medicare	\$199B	\$290B	\$446B	\$468B	+ \$269B
Medicaid	\$117B	\$194B	\$273B	\$269B	+ \$152B
Other Mandatory	\$123B	\$337B	\$644B	\$598B	+ \$475B
Debt Interest	\$220B	\$178B	\$196B	\$240B	+ \$20B
TOTAL OUTLAYS	\$1.790T	\$2.479T	\$3.456T	\$3.729T	+\$ 1.939T

FEDERAL BUDGET TRENDS FY2000-2012

ABSENT REFORMS, DEBT IS SET TO SKYROCKET IN THE COMING DECADES



Sources: Congressional Budget Office (January 2012) and Bipartisan Policy Center



DEBT CRISIS AVERTED

DEAL REACHED ON US DEBT CRISIS

August 1

Budget Control Act of 2011 (S. 365)

Debt Deal: Overview of Major Components

- **Debt Ceiling Increase With Required Reductions in Deficit**
- **Discretionary Spending Caps**
- **Joint Select Committee on Deficit Reduction (Super Committee)**
 - ▶ Goal: Find \$1.5 trillion in additional deficit reduction
 - ▶ Or else...automatic sequestration

UNDERSTANDING THE BREAKDOWN OF SEQUESTRATION LEVELS

Total “triggered” cut
\$1.2 trillion



Subtract 18
percent in debt
service savings

Distribute remaining
\$984 billion
evenly among fiscal
years
2013 to 2021



\$109.3 billion
per year

Evenly split each
year’s cut
between defense and
non-defense
accounts



Defense
\$54.7 billion



Non-defense
\$54.7 billion

How Does the Sequester Work?

- **What is unique about FY2013**
 - Cuts occur in the middle of the fiscal year (Jan. 2013)
 - Discretionary cuts occur no matter what Congress appropriates
 - Sequester cuts happen at “program-project activity” (PPA) level
- **Across-the-board cuts difficult for many PPAs:**
 - Accounts that are nearly all personnel costs, like those for Border Patrol Agents
 - Large procurement of construction projects

Sequester Exemptions

- **Some mandatory spending and non-defense discretionary (NDD) programs are *exempt* from the sequester**

Mandatory Exemptions

- Social Security
- Medicaid
- Food stamps (SNAP)
- Medicare annual cuts are limited to 25 and are made to provider payments

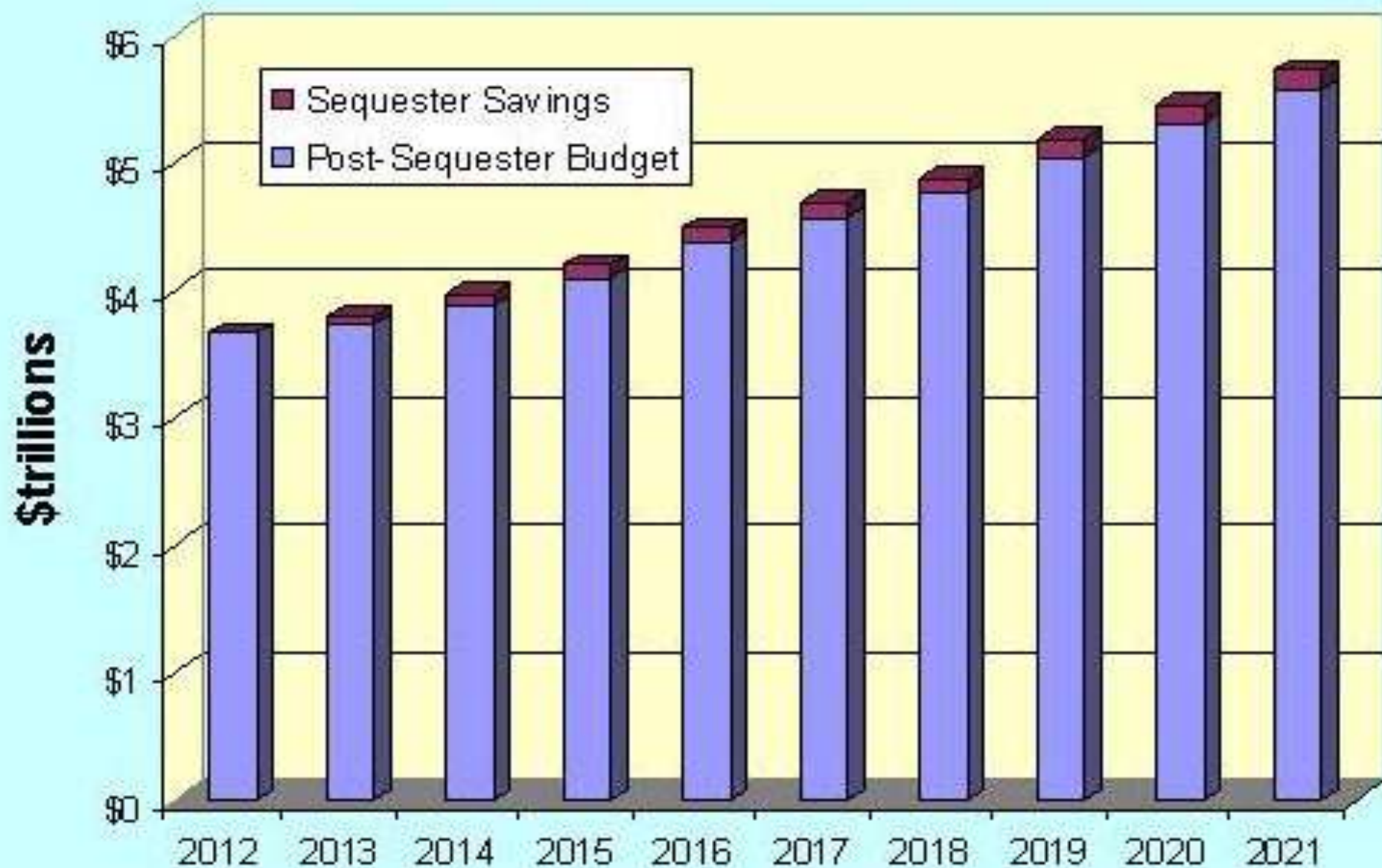
NDD Exemptions

- Pell Grants
- Department of Veteran's Affairs programs
- Transportation programs paid for by the Highway Trust Fund
- Cuts to Indian health and migrant health centers are capped at 2%

Sequestration Transparency Bill

- Passed both houses of Congress on bipartisan basis; signed by President Obama
- Required OMB to issued official sequestration report
 - 9.4 percent to non-exempt defense discretionary spending
 - 8.2 percent to non-exempt domestic discretionary spending
 - OMB determined that Highway Trust Fund programs and the FAA's Airport Improvement program are exempt from cuts
 - However, bailout transfers from the General Fund to the Highway Trust Fund would be subject to the sequestration

Even with Sequester, Federal Budget Expands by Nearly \$2 Trillion



Can Sequestration Be Avoided?

- **YES!**
- Congress would have to pass legislation and President Obama would need to sign before January 2, 2013
- Moody's Investors Services warned it would lower the U.S. credit rating if negotiations do not produce a plan to stabilize and reduce the national debt

FY2013 Federal Appropriations

FY2013 Appropriations

■ Senate FY13 discretionary spending level: \$1.043 trillion

- No FY2013 appropriations bills passed by full Senate
- Senate appropriations committee approved 11 of 12 FY2013 appropriations bills

■ House FY13 discretionary spending level: \$1.028 trillion

- House passed 7 of 12 FY2013 appropriations bills

EDA: Budget Background

- President's FY2013 request: \$219M
 - ✓ \$38M below FY12 enacted level (\$257.5M) = 15% cut
 - ✓ \$64.43M below FY11 enacted level (\$283.43M) = 23% cut
 - ✓ \$74M below FY10 enacted level (\$293M) = 25% cut
- EDA's final FY12 funding total of \$457.5M included \$200M for disaster assistance and \$257.5M for programs and operations
- Since FY2001, funding for EDA's core economic development assistance programs has decreased by approximately 50 percent!

Economic Development Administration

Amendments to H.R. 5326

House FY13 Commerce-Justice-Science Appropriations Bill

- ◆ **Michaud Amendment:** to restore a \$38 million cut to EDA with a \$38 million funding offset from the Census Bureau's periodic census account
 - *The Michaud amendment was defeated by a 190-218 vote*
- ◆ **Pompeo Amendment:** to eliminate EDA
 - *The Pompeo amendment was defeated by a bipartisan vote of 129-279*
- ◆ **Scalise Amendment:** to reduce the salaries and expense line items for three U.S. Department of Commerce accounts, including EDA's operations account by \$7.5 million
 - *The Scalise amendment was defeated by a vote of 174-233*

HUD CDBG: Background

- **President's FY13 Request:** Level funding for formula grants at \$2.948B
 - ★ **11% below FY11 level of \$3.34B**
 - ★ **26% below FY10 level of \$3.99B**
- This continues a recent downward trend in CDBG funding since the program reached a **high of \$4.36 billion in FY2003**

FY13 Appropriations: HUD CDBG

- **Senate FY13 Senate T-HUD Appropriations Bill= \$3.1 B**
 - Only passed by Senate Appropriations Committee
- **House FY13 T-HUD Appropriations Bill= \$3.4 B**
 - Passed by the full House
 - Amendment by Rep. Tom McClintock (R-CA) to eliminate all funding for CDBG grants in FY2013 was soundly defeated with a 342-80 vote
 - Included report language that would examine how grantees use CDBG funds as matching dollars for other federal programs

What's Next?

What's Next: FY2013 Appropriations

- Six month Continuing Resolution (Oct. 1, 2012 - March 27, 2013)—H.J. Res. 117
- Reflects \$1.047 trillion cap in 2011 Budget Control Act
- \$8 billion over current spending
- Agencies operate on current levels plus .621 percent

What's Next: Farm Bill

- Current law (P.L. 110-246) expired September 30, 2012
 - Second time since 1973
- S. 3240 passed by Senate on 6/21/12
- H.R. 6083 passed by House Agriculture Committee on 7/12/12
- House introduced 1 year extension (H.R. 6228)
- No floor time dedicated to moving in House
- House and Senate leaders promised to revisit after elections
- Major issues moving forward:
 - Overall funding: Senate bill saves \$23B over 10 years
 - House bill saves \$35 billion over 10 years
 - Disagreements over SNAP (House cuts \$16B, Senate cuts \$4.5 B)

What's Next:

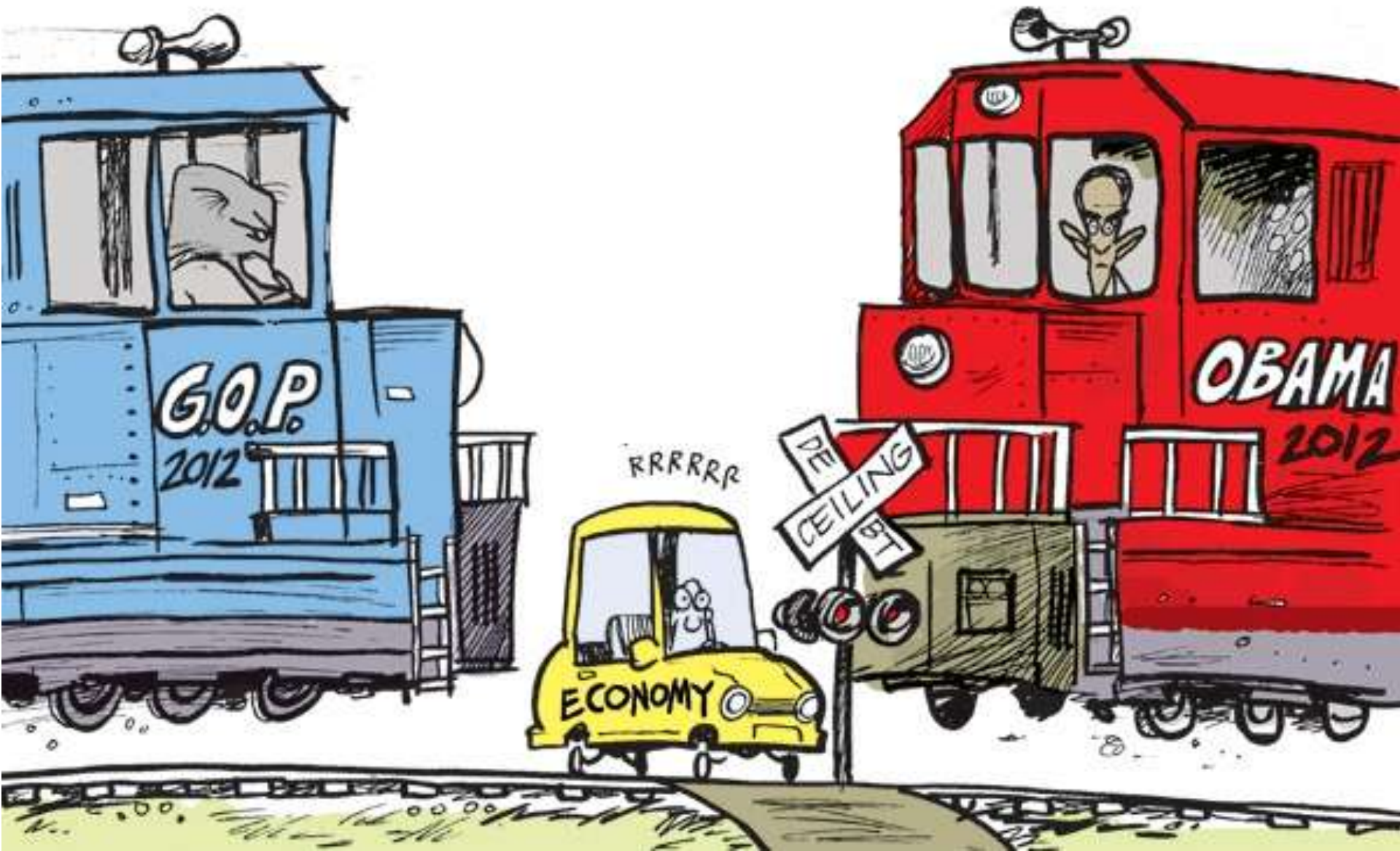
■ Fiscal Cliff?

■ \$607 billion in U.S. taxes and spending expire Dec-Jan

- Bush tax cuts
- 2010 Obama tax holiday
- Expensing of investments and onset of tax provisions for Affordable Care Act
- Emergency unemployment benefits
- Onset of sequestration

What's Next

- \$16.3 trillion borrowing limit
- WSJ: We are now around \$15.8 trillion and could hit the limit as early as December
- U.S. Treasury Department has wiggle room





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