



Federal Legislative Report:

Politics, Budgets and Policy

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
REGIONAL STRATEGIES. PARTNERSHIPS. SOLUTIONS
August 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

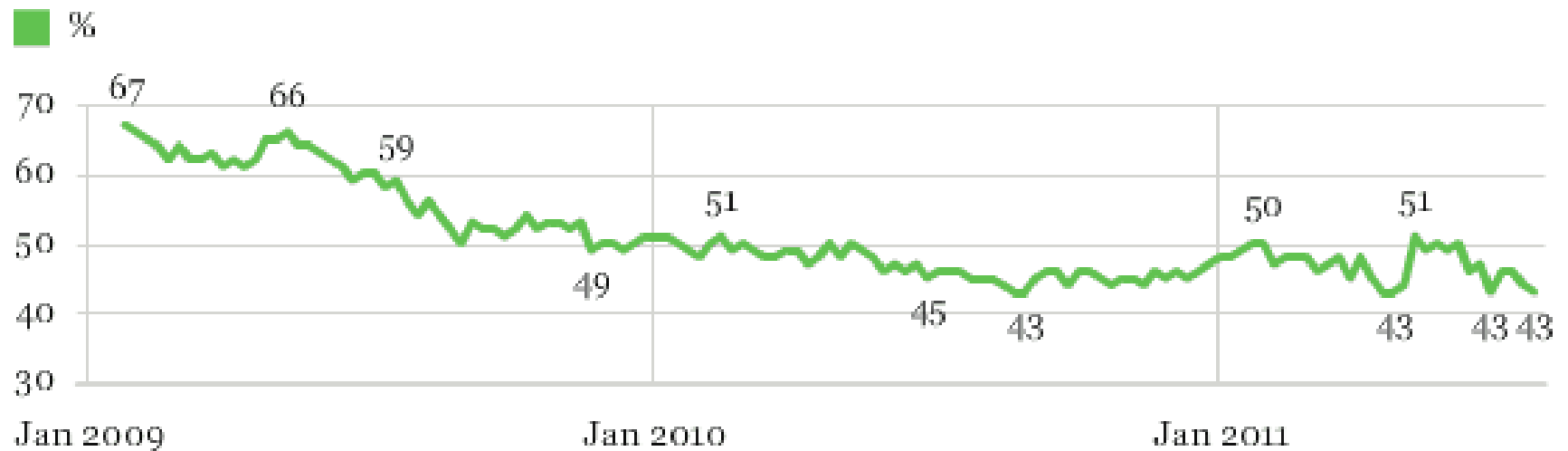
■ President Obama

- ▶ 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

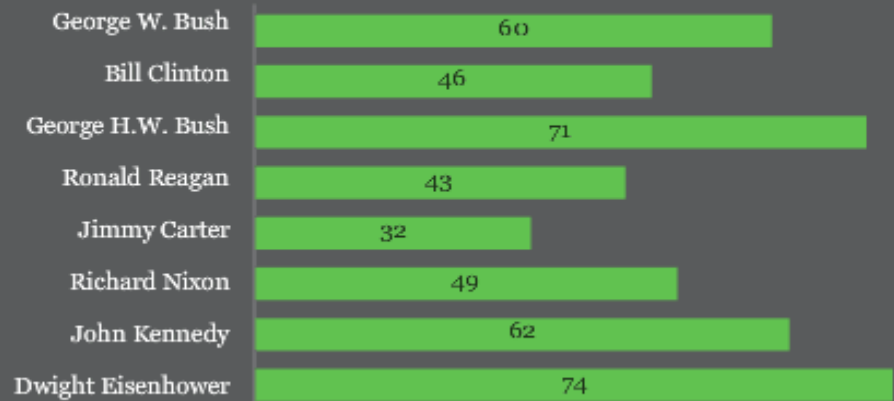
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Presidential Polls



Job Approval Ratings for Prior Presidents in August of Third Year

■ % Approve

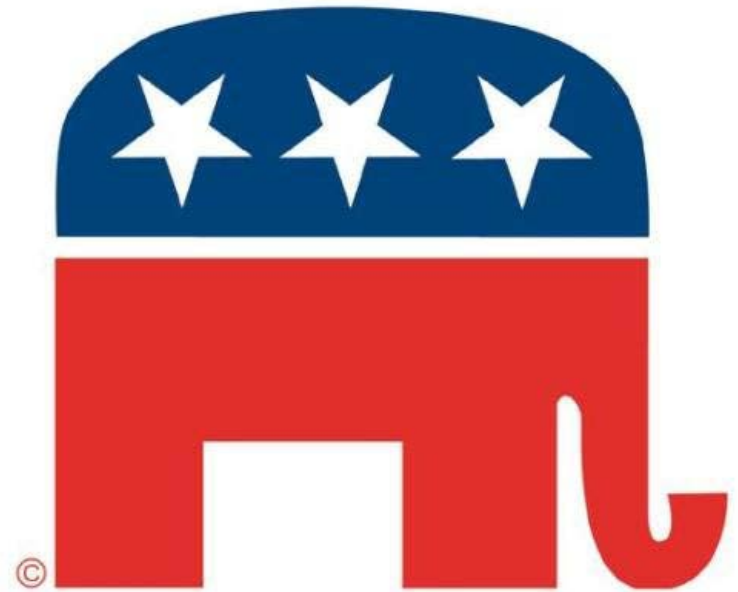


Presidents elected to their first term

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)~~



GOP Presidential Candidates

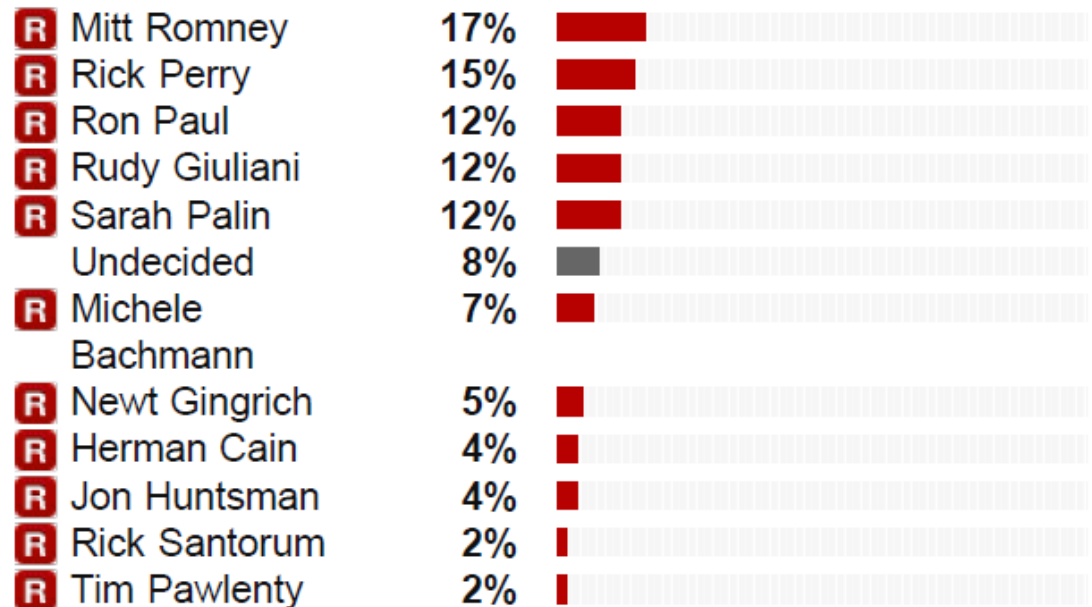
Thursday, August 11, 2011

National GOP Primary

CNN/Opinion Research
Corporation

8/5/11-8/7/11

449



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%)



Second Tier Candidates

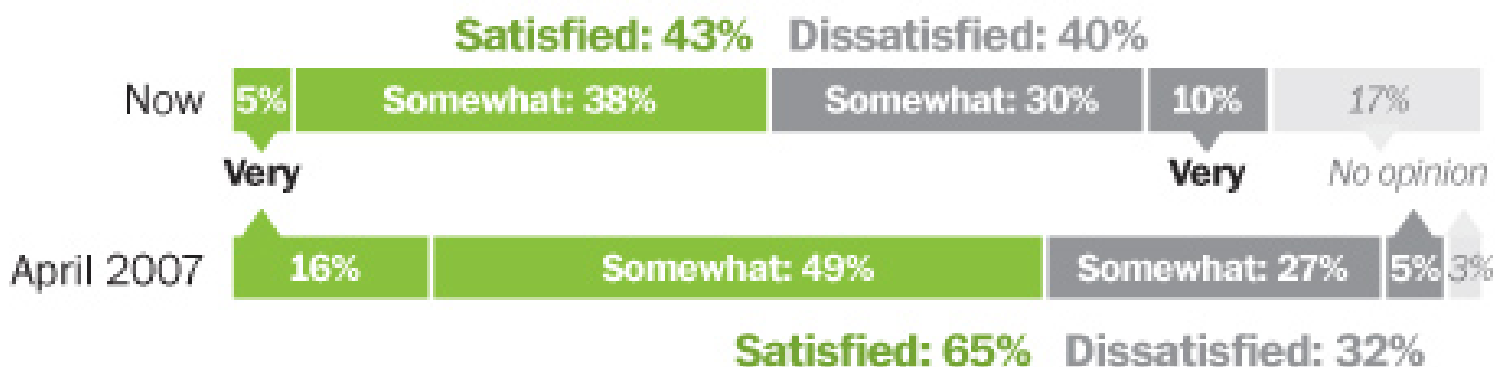
IOWA STRAW POLL RESULTS

- 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%)





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

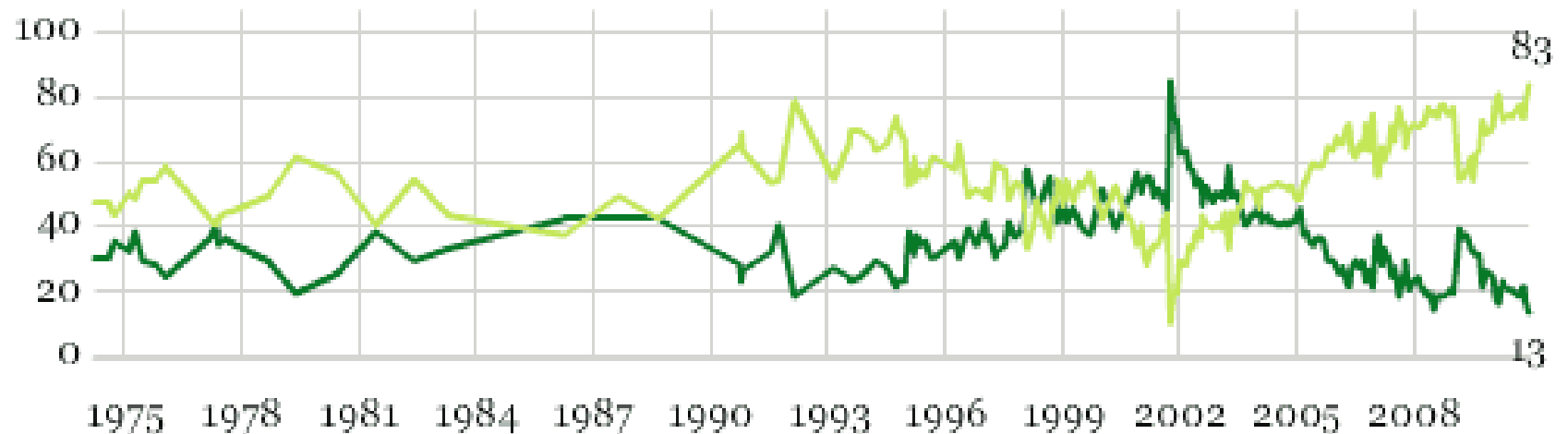
- 435 House seats up in 2012
- Redistricting is still biggest unknown
- California will be major battleground
 - ▶ 1 out of 6 House seats changed in '10 nationally;
None switched parties out of 53 CA House seats
- Primary challengers are still biggest concern for most incumbents, especially GOP members

Congressional Polls

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

Full trend

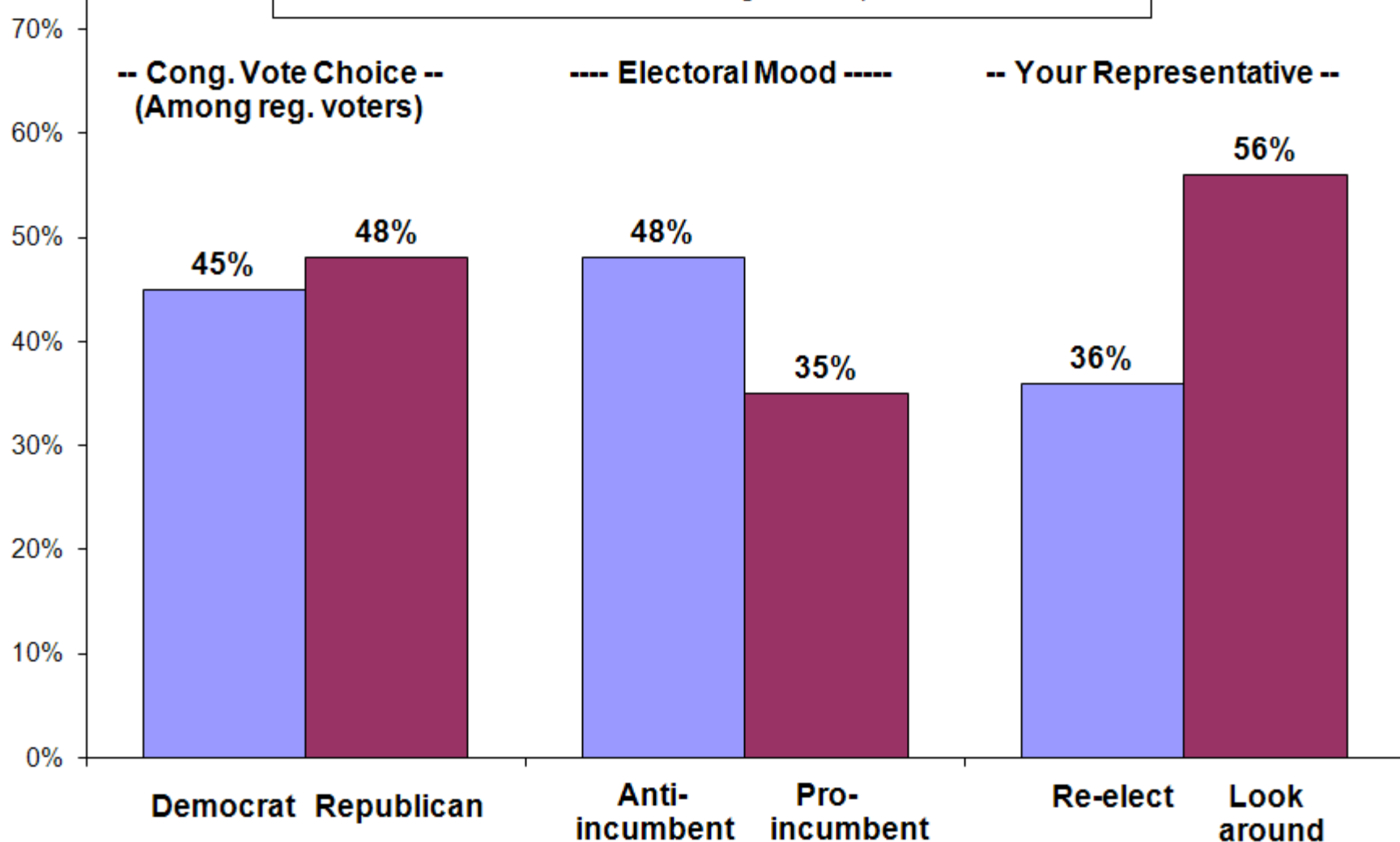
■ % Approve ■ % Disapprove



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Midterm Elections in November

ABC News/Washington Post poll



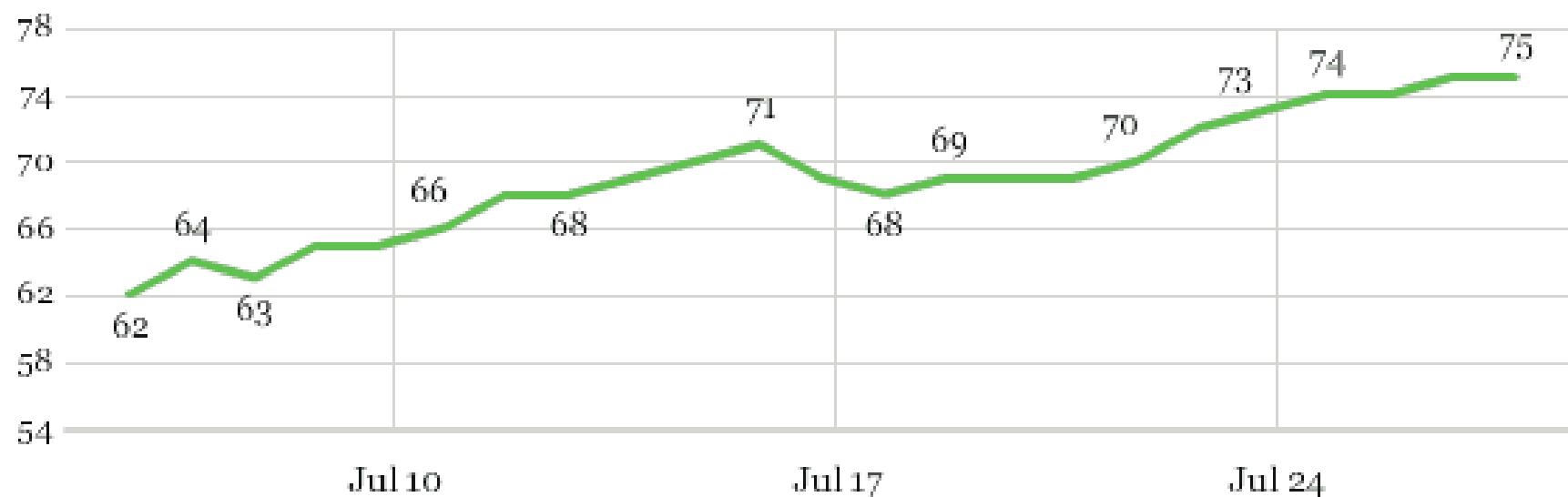


Politics of the Federal Agenda

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

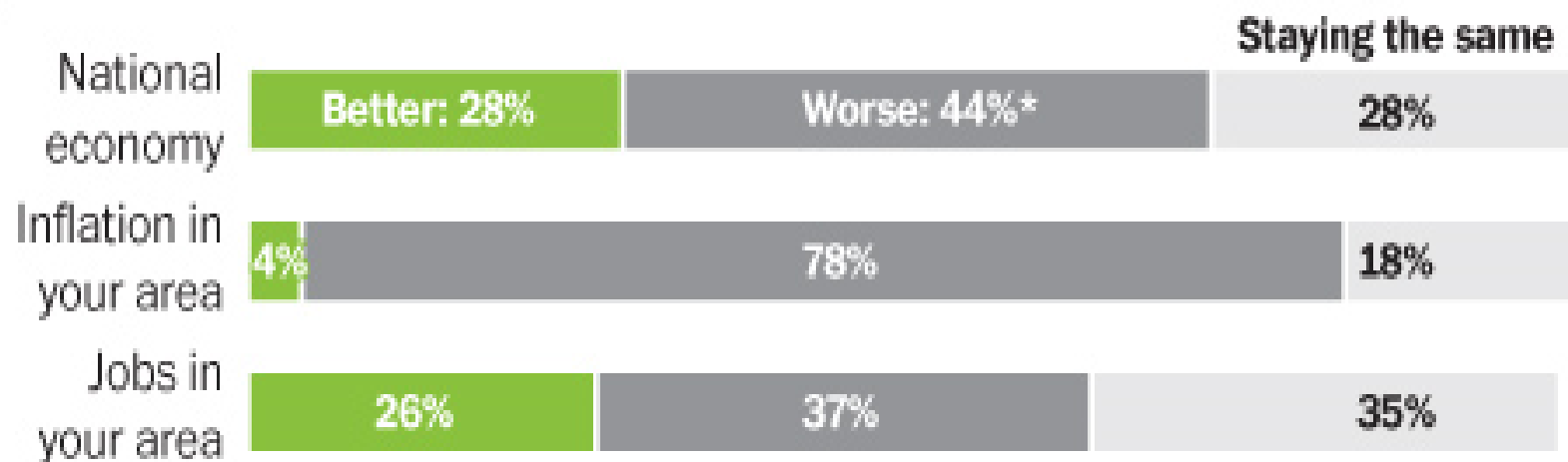


Gallup Daily tracking

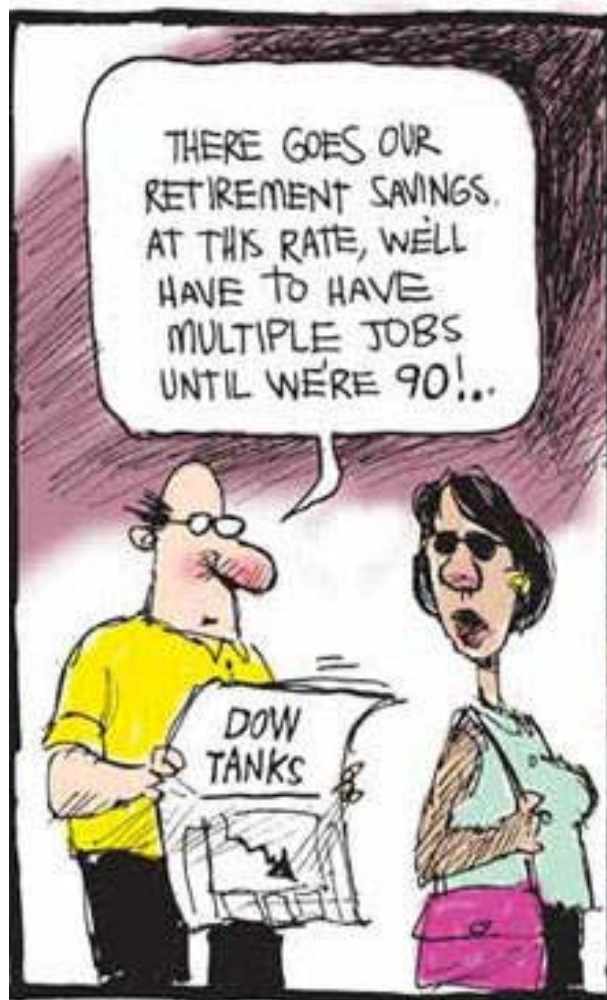
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Politics of the Federal Agenda: The Economy

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

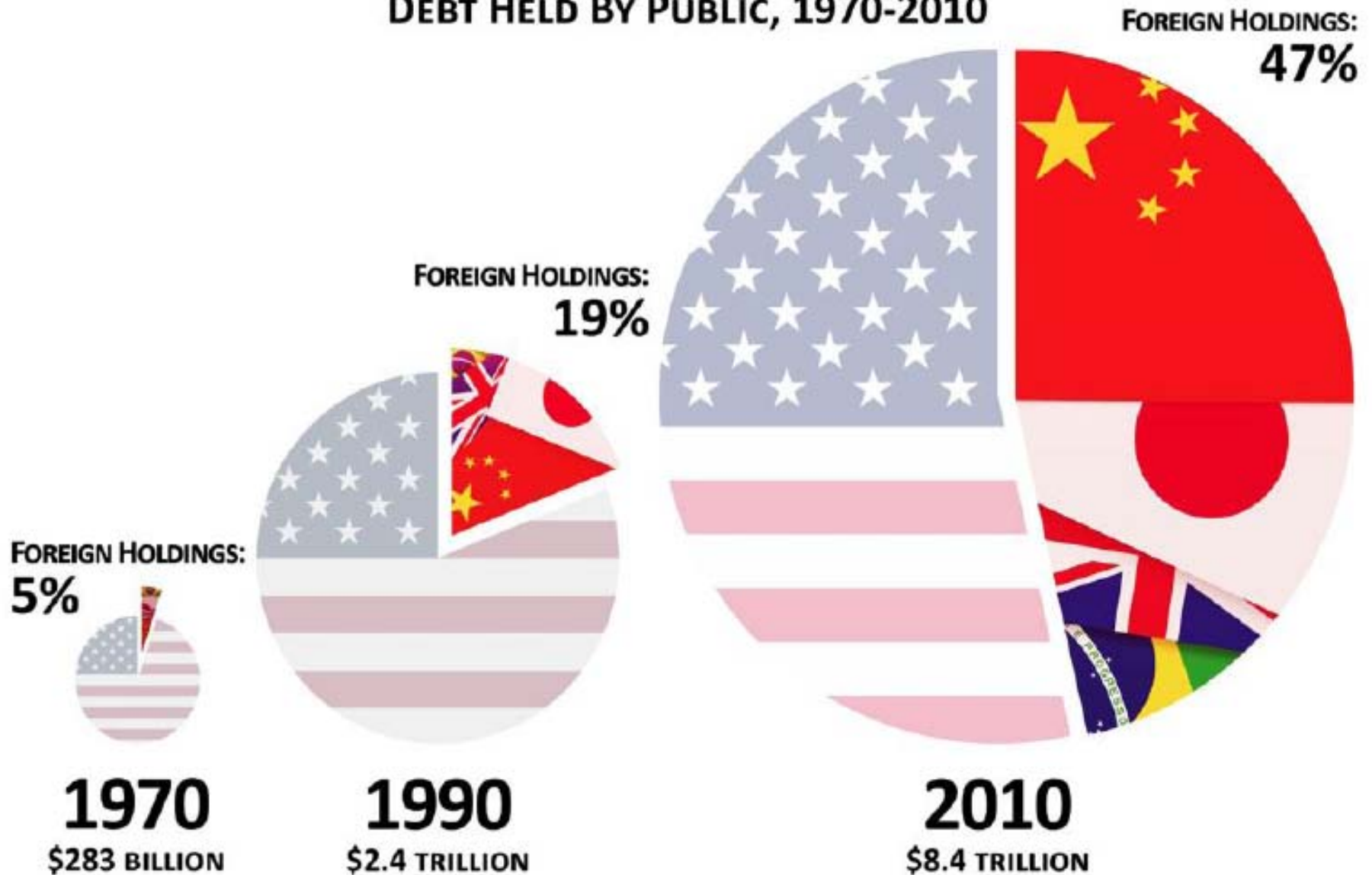
● GDP Growth is Key Political Measurement

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

“I’m not worried about the deficit. It’s big enough to take care of itself.”

-- President Ronald Reagan

“Alexander Hamilton started the U.S. Treasury with nothing, and that was the closest our country has ever been to being even.”

-- Will Rogers



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 Its FY12 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 = **37 Days!!!!**
- ▶ **Possible Omnibus or Continuing Resolutions**

Debt Deal

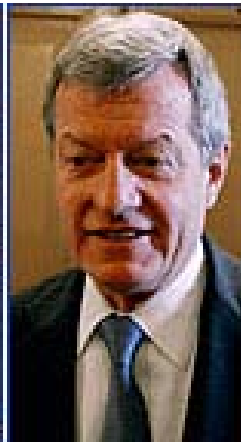
Budget Control Act of 2011 (S. 365)
Passed August 1



Joint Select Committee on Deficit Reduction “Super Committee”



Patty Murray



Max Baucus



John Kerry



James Clyburn



Xavier Becerra



Chris Van Hollen



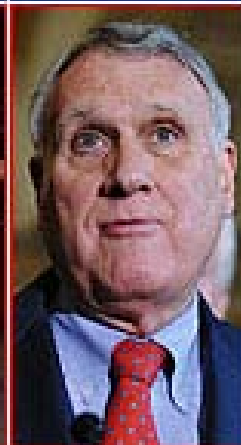
Jeb Hensarling



Dave Camp



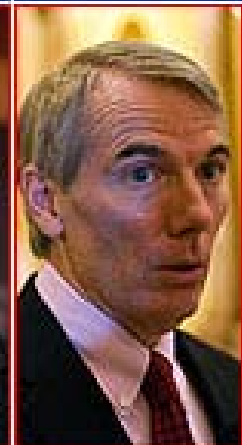
Fred Upton



John Kyl



Pat Toomey



Rob Portman

PHOTOS: GETTY IMAGES

Key Dates for the Super Committee

September 16, 2011	First meeting of the Joint Committee
Between October 1 and December 31, 2011	Both houses of Congress must vote on a Balanced Budget Amendment
October 14, 2011	Deadline for House and Senate committees to submit recommendations for mandatory program/ revenue changes to the Jt. Committee
November 23, 2011	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
December 23, 2011	Deadline for final action on Jt. Committee bill by House and Senate
January 15, 2012	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
February 2012	The first \$900 billion of debt ceiling increase runs out
No later than January 2 of each year, 2013 through 2021	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?

	National adults	Repub- licans	Indepen- dents	Demo- crats	Tea Party supporters
	%	%	%	%	%
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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State of Small Business Programs

State of Small Business Programs

Appalachian Regional Commission

Agency	Program	FY10	FY11	FY12 Budg. Req.	FY12 House Approps
ARC	Business Development Revolving Loan Fund	\$76 M	\$68.2 M	\$76 M	\$68.4 M

State of Small Business Programs

Economic Development Administration

RLF

Agency	Program	FY10	FY11	FY12 Budg. Request	FY12 House
EDA (Dept. of Commerce)	Economic Adjustment Assistance (EAA); Revolving Loan Funds	\$38.6 M	\$38.6 M	\$84.9 M	\$38.62 M

State of Small Business Programs

SBA Lending Programs

Agency	Program	FY10	FY11	FY12 Budg. Req.	FY12 House
SBA	Certified Development Company (CDC)/504 Loan Program	\$82 M	\$82 M	\$82 M	\$211.6 M for 504 and 7(a). Bill does not specify how much for each program.
	Section 7(a) Loan Guarantee Program	\$130 M	\$130 M	\$130 M	See above
	Microloan Program	\$3.8 M	\$3.8 M	\$3.8 M	\$3.765 M

State of Small Business Programs

Treasury's CDFI Program

Agency	Program	FY10	FY11	FY12 Budg. Req.	FY12 House
Community Development Financial Institutions (CDFI) Fund (Dept. of Treasury)	Financial/Technical Assistance component	\$106 M	\$175 M	\$175 M	\$148 million available for Treasury to use on Financial/Technical Assistance, BEA, et al. Not specified in bill.
	Bank Enterprise Award (BEA) Program	\$25 M	\$22 M	\$22 M	See above

State of Small Business Programs

U.S. Department of Agriculture

Agency	Program	FY10	FY11	FY12 Budg. Req.	FY12 House
USDA	Business and Industry (B&I) Guaranteed Loan Program	\$993 M	\$889.1 M	\$823 M	\$626.9 M
	Intermediary Relending Program (IRP)	\$34 M	\$30 M	\$36 M	\$30 M
	Rural Business Enterprise Grants (RBEG) Program	\$39 M	\$34.93 M	\$30 M	\$20 M
	Rural Business Opportunity Grants (RBOG)	\$ 2 M	2.478 M	\$7 M	\$2.25 M

State of Small Business Programs

U.S. Department of Housing and Urban Development

Agency	Program	FY10	FY11	FY12 Budg. Req.	FY12 House
HUD	Community Development Block Grants (CDBG), Entitlement Program	\$3.99 B	\$3.34 B	\$3.68 B	No action
	Community Development Block Grants (CDBG), State Administered CDBG Program	\$1.19 B	\$1 B	\$1.104 B	No action

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

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

FY12 EDA Appropriations

- Funded under Commerce, Justice, Science Appropriations Bill
- CJS passed full committee
- \$258M in funding for the EDA, \$26M below FY2011 levels and \$67M below the President's request
 - \$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

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

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

FY12 USDA Rural Development

Agriculture Bill Passed by House

- **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)

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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