



To: NADO Members
From: Craig Whitham, Director of Government Relations and Legislative Affairs
Date: March 22, 2013
Subject: Legislative Update

As the House and Senate pass important legislation, I want to provide you with some essential details that will affect the budget of the Economic Development Administration (EDA) and overall federal spending. This memo will provide information on the Continuing Resolution funding the federal government through September, 2013, as well as the House and Senate budget resolutions.

Fiscal Year 2013 Continuing Resolution

On March 21 the House approved the final version of a Continuing Resolution (CR) by a vote of 318-109 that will fund the federal government through the end of September. The legislation (H.R. 933) was originally offered in the House of Representatives, and continued funding for most government agencies at FY 2012 levels. The FY 2013 Department of Defense and Veterans Affairs appropriations bills were added, providing additional guidance and new funding levels. When H.R. 933 was taken up by the Senate, the FY 2013 Agriculture, Homeland Security and Commerce-Justice-Science appropriations bills were added.

Effect on the Economic Development Administration

The CR contains several provisions affecting EDA funding. The Commerce-Justice-Science Appropriations bill that was added to the CR contains new funding levels for the agency.

Overall, EDA funding was reduced from \$257.5 million to \$221 million. The CR also imposes the 5.1 percent reduction from sequestration and an additional 1.8 percent cut from all Department of Commerce programs. Overall, EDA will have a total of approximately \$206 million to spend for the rest of FY 2013 of which approximately \$168.5 million is dedicated to grants and programs. Of that total, public works grants, which had been funded at \$111 million, were reduced to \$79 million. The additional \$5 million came from redirecting programmatic

funds to an initiative exploring ways to bring manufacturing jobs back to the United States. Planning grants were held steady at \$29 million as were salaries and expenses for EDA staff.

Needless to say, this is a dramatic reduction in funding for EDA grants. This will result in a combination of fewer or smaller public works infrastructure grants for the rest of FY 2013. The staff at EDA will have to determine whether to reduce the size or number of grants issued.

NADO members should be prepared for either reduced funding or reduced opportunities for public works grants. As always, NADO staff will continue to provide the most up to date information possible issued from EDA.

House Budget Resolution

On March 21, the House of Representatives passed its FY 2014 Budget Resolution (H.Con.Res.85) by a vote of 221 to 207. Offered by Budget Committee Chairman Rep. Paul Ryan (R-WI), H.Con.Res. 85 established the spending, tax and policy priorities of the House of Representatives for the next ten years. The stated goal of the House resolution is to balance the yearly federal budget, which has run annual deficits of over \$1 trillion for five years, by 2023.

Overall, the House budget achieves \$5 trillion in deficit reduction by assuming that federal spending will only grow at a 3.4 percent pace, compared to the current annual pace of approximately 4.9 percent. The budget achieves balance in ten years through several key provisions. First and foremost, it assumes the full repeal of the Affordable Care Act, also known as Obamacare, saving \$1.8 trillion. Other spending reductions include \$129 billion from Medicare, \$810 billion from Medicaid and other health programs, \$962 billion from mandatory spending programs, \$249 billion from domestic discretionary programs, and an additional \$700 billion in savings from reduced interest payments on the national debt. Finally, the budget reflects the spending reductions implemented through sequestration.

The House budget assumes the addition of \$600 billion in tax revenue from the fiscal cliff deal reached this past January. Chairman Ryan did not include detailed instructions on tax policy, but called for achieving broad-based tax reform. Representative Dave Camp (R-MI), chairman of the House Ways and Means Committee, is currently working on legislation to achieve this type of tax reform, based on the principles of eliminating most or all deductions and loopholes and reducing the current rate structure for individuals and corporations. House leadership has reserved the title of H.R. 1 for this legislation, indicating that it will be the signature piece of legislation in 2013.

Senate Budget Resolution

On March 13, Senate Budget Committee Chair Patty Murray (D-WA) released her budget resolution for Fiscal Year 2014 (S.Con.Res.8) , which sets overall federal spending levels for Senate appropriators as they begin working on the 2014 appropriations bills later this spring. Senator Murray's budget includes \$1.85 trillion in deficit reduction over 10 years and raises \$975 billion in new tax revenue over the next decade. The new revenue would be generated by eliminating tax breaks used by individuals and corporations.

The budget resolution would reduce the federal debt by using a combination of new tax revenue and spending cuts, including \$142 billion in cuts to domestic discretionary programs. These cuts would be achieved by maintaining the current funding levels that were implemented under the 2011 Budget Control Act. The Senate budget would also cancel all nine years of sequestration cuts, largely offsetting the estimated amount of deficit reduction.

Additionally, the Senate budget recommends \$100 billion for transportation and infrastructure investments that would repair roads, bridges, airports, and mass transit systems. The Senate proposal also creates an infrastructure bank to leverage private sector investment, with recommended funding set at \$10 billion. Additionally, the plan dedicates \$10 billion to repair dams and waterways, \$20 billion for technology infrastructure, and \$10 billion in investments for workforce training programs for youth and adults.

Important Facts about Budget Resolutions

NADO members should be aware of several important facts. Budget resolutions are passed by the House and Senate as a way to set priorities and the overall spending levels for each year.

They do not carry the weight of law and do not carry specific dollar amounts for individual federal agencies.

The main purpose of the budget resolutions is to determine the total amount of federal spending for each year. The Appropriations Committees will take the overall funding level in the budget resolutions and use those amounts to write the budgets for all federal agencies. As such, neither the House nor Senate Budget Resolution will contain a specific dollar amount for EDA.

However, it is clear that if overall spending levels for domestic agencies are reduced, EDA's budget could face further reductions. As always, NADO legislative staff will continue to monitor the actual budget levels for programs used most often by our members.

President Obama's FY 2014 Budget

The Office of Management and Budget now estimates that the President's budget will be released on April 9. As usual, NADO legislative staff will provide you with a detailed review promptly after it the budget is released.

Conclusion

As the federal spending picture in Washington begins to come into focus, significant challenges face NADO members due to the dramatic reduction in EDA funding. While the CR provides new spending levels to many government agencies, the inclusion of the Commerce-Justice-Science spending bill actually hurt EDA's budget. NADO members will continue to feel the effects of this new funding level when applying for public works grants. They will be fewer in number, smaller in scale or a combination of both, making it more difficult for NADO members to carry out important projects.

NADO legislative staff will continue to work with House and Senate leaders to restore the funding cut in the CR. Executive Director Joe McKinney testified before the Commerce-Justice-Science Appropriations Subcommittee detailing the important impact increased EDA funding would have on rural America. You can view a copy of his testimony on NADO's [website](#).