

PRELIMINARY ANALYSIS: FY 2011 PROPOSED FEDERAL BUDGET

Job Creation and Economic Development DRAFT Prepared by COG staff March 10, 2010

COG's 2010 Policy Focus and Priorities directed staff to review the President's FY 2011 budget and other proposed federal legislation to identify local and/or regional opportunities to advance job creation and retention efforts in the National Capital Region. There are multiple job creation and economic effects throughout the proposed budget. What we have identified in our analysis are those opportunities that would enhance COG's current work and those which would directly support or augment local government initiatives. Staff has proposed several actions that COG will take to leverage new funding opportunities and assist localities in their application of such funds.

On February 1, 2010 President Obama sent to Congress a \$3.8 trillion budget proposal focused on education, clean energy, infrastructure, and innovation in an attempt to spur job growth and reverse the economic downturn. The President's budget also requests \$266 billion dollars for temporary measures to support and speed economic recovery. In addition to \$100 billion for a new jobs initiative, the budget sets aside \$166 billion in temporary extensions of some provisions of the American Recovery and Reinvestment Act (ARRA) which are set to expire (making work pay tax credit, COBRA health insurance premium assistance, unemployment benefits etc).

FY 2011 Federal Proposals Relating to COG Priorities

To revitalize cities and metropolitan areas across the country, the budget proposes a series of integrated investments aimed at increasing regional economic competitiveness, developing environmentally sustainable and livable communities, and creating quality neighborhoods with good jobs, high performing schools and access to supportive services.

“Reform the Job-Training System to Encourage Innovation and Empower Workers”

The COG Board has made workforce preparation a major focus of its 2010 Policy Focus and priorities. Earlier this year, COG's *Closing the Gaps to Build the Future* report concluded that the National Capital Region is at a critical point in its economy that requires a change in course toward a more sustainable, productive and competitive workforce. The report recommended that COG aid in forging a more integrated workforce, building on existing and proposed strategies in economic development, education and training, and workforce readiness. The President's proposed budget includes several programs which would support these recommendations:

- The budget calls for reform of the Workforce Investment Act (WIA), using it as an opportunity to promote innovation in the public workforce system, build on its strengths, and address its weaknesses. These funds have been critical in helping states and localities respond to the increased demand for services.

- The budget would establish a Partnership for Workforce Innovation, between the Department of Education and the Department of Labor, to provide \$321 million in jointly administered grant funds to states and localities to test and replicate innovative workforce practices.
 - The Youth Innovation Fund would provide competitive grants to local workforce investment boards to pilot innovative models for delivering summer and year round work experiences and comprehensive services to disconnected youth.
 - Workforce Innovation Fund to support and test “learn and earn” strategies like apprenticeships and on the job training that support and test promising approaches to training and build evidence of best practices. The grants would be administered at the national level and regional and sectoral collaborations are encouraged.
- The Budget provides \$300 million in new grants to States to develop and implement instructional practices and improve teaching and learning in science, technology, engineering, and mathematics (STEM) aligned to new high standards. The Budget also dedicates \$150 million within the Investing in Innovation Fund to competitive grants for school districts, nonprofits, and other organizations to test, validate, and scale promising strategies to improve teaching and accelerate student learning in STEM subjects.
- The Department of Energy and the National Science Foundation would partner on a \$74 million RE-ENERGYSE education effort to inspire tens of thousands of young Americans to pursue careers in clean energy. The Budget proposes to launch a comprehensive science and technology workforce program to engage undergraduates at Historically Black, Tribal, and Hispanic-serving colleges and universities by realigning and building on existing programs.

ACTION: COG will work in partnership with regional workforce leaders to identify how the National Capital Region can coordinate its efforts to successfully compete for the Workforce Innovation funding; specifically in building the capacity of local governments to efficiently receive and expend funding.

COG will coordinate with the Workforce Competitiveness Task Force, and others, to draft comments on key aspects of WIA reauthorization.

“Create the Clean Energy Economy of Tomorrow”

A number of the President’s proposed initiatives directly support the stated work program priorities of COG’s Climate, Energy and Environment Policy Committee, particularly: the reduction of energy use in residential buildings; ensuring a well-trained and certified workforce that can conduct energy audits and retrofits, design and implement state of the art, high efficiency new buildings as well as the design and implementation of new, renewable energy technologies. Support for private lending will be essential for the success of regional home energy loan programs which are being considered or implemented among COG’s members.

- An Energy Innovation Fund would be created to drive the creation of an energy-efficient housing market, including the retrofitting of older, inefficient housing, and catalyze private lending in the residential market. DOE and HUD would partner on this effort to jumpstart the creation of a clean-technology economy and reduce consumer utility costs.
- A Green Jobs Innovation Fund would administer \$85 million in competitive grants, through the Employment and Training Administration, to prepare workers for careers in the clean energy and energy efficiency sectors. The Administration’s goal is to train 120,000 people for green jobs by 2012.
- The Budget continues to support modernization of the Nation’s electric grid by investing \$144 million for research, development, and demonstration activities to modernize the grid including smart-grid technologies that will spur the transition to a smarter, more efficient, secure and reliable electric system, resulting in energy- and cost-saving choices for consumers, reduced emissions, and growth of renewable energy sources.

ACTION: COG will work with its members to seek funding from the Energy Innovation fund to fulfill the goals of the regional Climate and Energy Plan to retrofit older homes and train the workforce to expand home energy loan programs among COG member local governments. COG will also work with its members to seek funding from the Green Jobs Innovation Fund to support training of workers in energy auditing, retrofitting residential buildings and installation of renewable energy technologies.

“Improve Business Access to Credit, Technical Assistance, and Business Networks”

- The Budget provides \$165 million in subsidy costs to support \$17.5 billion in Small Business Administration 7(a) loan guarantees that will help small businesses operate and expand. It also proposes to increase the maximum 7(a) loan size from \$2 million to \$5 million.
- The Budget provides \$250 million in targeted support to Community Development Financial Institutions. This would help local financial institutions offer affordable loans to small businesses, consumers, nonprofit developers, and home buyers in communities that lack access to affordable credit.
- The small business capital gains tax would be permanently eliminated for investors in small businesses that hold their investments for five years.

ACTION: COG will partner with area businesses and universities to identify opportunities to leverage the small business lending fund, specifically in regards to maximizing jobs and economic impact in the National Capital Region.

“Invest in Regional and Community Planning Efforts”

COG’s two-year Greater Washington 2050 Initiative resulted in *Region Forward*, a comprehensive guide for achieving environmental, transportation, economic and other regional goals in the 21st century.

Region Forward will require new and improved approaches to coordinating land-use, transportation, and environmental planning at the regional level so that resources are used wisely and make our region more competitive.

The President's budget, building on the Sustainable Communities Partnership between the Department of Housing and Urban Development, the Department of Transportation, and the Environmental Protection Agency, includes an additional \$150 million to help stimulate comprehensive regional and community planning efforts that integrate transportation and housing investments that result in more regional and local sustainable development patterns, reduce greenhouse gases, and increase more transit accessible housing choices for residents. There are three components to the initiative:

- \$100 million for Regional Planning Grants to encourage integrated regional planning across jurisdictions.
- \$40 million for Metropolitan Challenge Grants to encourage sustainable growth and reverse counterproductive growth patterns that have evolve in many areas.
- \$10 million for a joint HUD-DOT research effort designed to advance transportation and housing linkages.

ACTION: COG will submit an application for the sustainable communities grant program, on behalf of a consortium of stakeholders. COG will include a business plan for job creation and economic development strategies as a key component of its application.

Additional Federal Legislative Employment Activity:

“Hiring Incentives to Restore Employment (HIRE) Act of 2010”

The goal of this legislation is to accelerate the hiring of unemployed workers and immediately enhance employers' cash flow by permitting employers to retain the employer portion of the Social Security tax ordinarily remitted. The House of Representatives passed a version of the \$15 billion Federal HIRE Act on Thursday, March 4, 2010. In February, the Senate passed another version of the legislation. The House bill must now return to the Senate for another vote. President Obama is expected to sign the HIRE Act soon after the final Senate passage.

The HIRE Act would:

- Provide payroll tax exemption for businesses that hire unemployed workers and an income tax credit of \$1,000 for businesses that retain these employees.
- Offer tax cuts to help small businesses invest, expand, and hire more workers.
- Extend the Highway Trust Fund through December 31, 2010, and transfers \$20 billion from the General Treasury to the Highway Trust Fund (HTF), as the HTF is estimated to run short of funds in June.
- Restore \$8.7 billion that was rescinded in SAFETEA-LU.

ACTION: COG will partner with area chambers of commerce to develop an education and outreach campaign for local businesses on how to maximize the benefits of the tax credits, much like the

successful earned income tax-credit program that focused on raising awareness of the tax credit and its benefit for families and the community; a strategy that resulted in millions of dollars for local economies.

COG and the Transportation Planning Board will continue to monitor the progress and provisions of the HIRE ACT. If enacted the legislation would fully fund federal highway and transit programs through December 31, 2010, including TPB's FY 2011 Work Program and Budget in part through a significant infusion of general fund revenue. It is unclear whether this general revenue stream would be continued after December 31, 2010.

FY 2011 Federal Priorities with local government implications, but those which do not directly align with COG's current policy focus and priorities:

- Build America Bonds would be made permanent and eligibility expanded such that state and local governments could issue BABs for refunding and working capital purposes.
- The Affordable Housing Trust Fund would be restored at \$1 billion to finance the development, rehabilitation, and preservation of affordable housing for very low income residents.
- A National Infrastructure Innovation and Finance Fund would be established with \$4 billion to invest in projects of regional or national significance based on merit and performance measures and will provide planning, feasibility and analytical capacity.
- Community Development Block Grants would be fully funded at \$4.5 billion for communities to continue to invest in and expand economic opportunities for low-income families.
- Energy Efficiency and Conservation Block Grants would not be funded for the second year in a row, a program which is authorized at \$2 billion annually.