

STAFF ANALYSIS OF FEDERAL FY 2009 BUDGET AND KEY STATE POLICY INITIATIVES

I. Introduction

February 4, 2008 the President released his administration's proposed FY 2009 Budget which has the potential to impact, both directly and indirectly, the National Capital Region, the participating jurisdictions of the Metropolitan Washington Council of Governments (COG), and COG, itself.

At the request of the Board of Directors, COG staff has conducted a preliminary analysis of the President's budget submission, with particular attention to those proposals -- both increases and cuts -- which have particular relevance to policies or programs espoused by COG.

II. Overall Philosophy of the Proposed Budget

The President's proposed FY 2009 Budget of just over \$3 trillion builds on efforts of spending restraints and pro-growth policies offered in recent years. The President's priorities are clear: make permanent the tax cuts enacted in 2001 and 2003; hold the rate of growth for non-security discretionary funding below the level of inflation in order to fund war efforts; and achieve a "balanced budget" by 2012. This attempt to balance the budget assumes no reform of the Alternative Minimum Tax (AMT), increased spending restraints on Medicare and Medicaid, and would offer no additional funding for the war after 2009; each of which are at best, unrealistic. In addition, the proposal projects an economic growth forecast where the GDP grows a full percentage point ahead of what the Congressional Budget Office projects.

Funding for non-security programs will see (on paper) an increase of .3%, well below the rate of inflation; this budget proposes freezing such expenditures at this level for the next four years. Nationally this means \$20.5 billion less for domestic discretionary funding, almost 7%, as funding for such programs have been cut, or failed to keep pace with inflation, in each of the past 5 years. This reduction ultimately means cuts of approximately \$19 billion in grants which are given to states and localities to support such services of child care, energy assistance, and environmental protection. This shortfall will require the need for many essential programs to be abandoned, scaled back, or further be passed to local governments and further burden the property tax. Not surprisingly, funding for homeland security and military programs increase by 8.2%, resulting in an almost 50% increase since 2001.

The Administration's budget plan proposes to save \$18 billion by eliminating or drastically reducing 151 programs it deems wasteful and outdated. By slowing the growth of entitlement spending, the Administration projects a savings of \$208 billion dollars over five years; much of these dollars will come from Medicare and Medicaid.

III. FY 2008 Budget Implications for the National Capital Region

a. Environment

Under the President's proposed budget the Environmental Protection Agency would see a reduction of \$521 million dollars below 2008 levels. This reduction continues a multi-year downsizing and amounts to a 26% reduction, or \$2.5 billion, below FY 2001 funding levels. The Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, programs which pay for sewage treatment plants, clean drinking water and wastewater infrastructure, are cut by 21% (or \$147 million) from FY 2008 funding levels.

COG Program/Policy Concern: Chesapeake Bay

The President's proposal cuts the Chesapeake Bay Program by \$1.5 million compared with FY 2008 levels. It also zeroes out Targeted Watershed Grants and reduces the Nonpoint Source Grants program by \$16 million.

b. Climate Change and Energy

The Department of Energy's budget is increased by 7%, to nearly \$24.5 billion, and continues with the President's emphasis on the development of alternative fuels, energy security, and the reduction of the country's dependence on oil. The increased funding would provide additional dollars for research into new technologies for automobiles, biofuels, hydrogen fuel and coal alternatives. In contrast, the budget reduces funding for the Office of Energy Efficiency and Renewable Energy by 27%, the very program from which many of these stated goals are born. As a result, \$220 million in Weatherization Assistance Program funding has been eliminated, thus limiting local government's ability to provide assistance to families in the reduction of their heating and cooling costs. Funding for ENERGY STAR, a program which promotes energy efficient consumer products, has also been cut by 9%.

COG Program/Policy Concern: Climate Change/Energy

In October, the Board supported the omnibus energy bill before Congress which included a provision for the development of Energy Efficiency Block Grants (EEBG). EEBG would provide a new source of funding for local governments to support an array of initiatives related to energy efficiency and greenhouse gas reduction. This authorization legislation was enacted into law however; appropriations have not been made by Congress, nor in the President's proposed budget.

c. Health and Human Services

The proposed budget of \$70.8 billion dollars for the Department of Health and Human Services results in limited cuts department wide for FY2008 yet, identifies 13 programs for elimination or drastic cuts for a savings of \$2.5 billion; including grants for health professions and restrains on Medicare spending.

- Both the Social Services Block Grant and the Community Services Block Grant would be zeroed out. These programs provide assistance for the underserved including: childcare, domestic-violence, specialized services for the disabled, home-based assistance, and services for the abused and neglected.
 - Low-Income Home Energy Assistance grants are reduced by 23% to \$2.0 billion, at a time when the country has experienced a 60% increase in energy costs since 2001.

COG Policy/Program Concern: Public Health and Prevention

Funding for Pandemic flu preparedness has been significantly increased over FY 2008 levels (\$78 million) to \$500 million. However, the Administration's proposal has cut the Center for Disease Control by \$430 million; including \$27 million for use in the detection of prevention of infectious diseases.

COG Policy/Program Concern: Work Force Development

The Workforce Investment Act programs which are essential to local government job creation initiatives and provide training to special needs populations would see a funding reduction of \$438 million.

d. Homeland Security

The Department of Homeland Security's budget is increased by 7.6% over FY 2008 levels for a total of \$34.4 billion. This increase mostly reflects additional funding for border security and immigration enforcement, roughly \$12.14 billion. In addition, the Administration has included \$1 billion to develop better communication systems for first responders. Grants to state and local governments are proposed to receive a total of \$1.2 billion, almost half of what Congress approved for FY 2008. The following are several of those projects which significantly support the region:

- State Homeland Security Grant Program is reduced by \$750 million to \$200 million; this reduction may ultimately lessen the region's ability to prepare for, respond to, and recover from acts of terrorism. Alternatively, the costs of maintenance of high levels of first response capability will be shifted almost entirely to local governments.
- Funding for state and local interoperability grant would see no increase from the FY 2008 enacted level of \$50 million.

COG Policy/Program Area of Concern: UASI

Urban Area Security Initiative Grants (UASI) would be funded at \$825 million, a slight increase from last year. Funding will continue to be allocated based on DHS assessments of risk and vulnerability and state and local needs identified in statewide homeland security plans.

e. Housing and Urban Development

The President's proposal funds the Department of Housing and Urban Development at \$38.5 billion, \$1 billion more than FY 2008 level. An additional \$1 billion has been requested for housing counseling, homeless assistance and affordable housing programs. While this increase is substantial and positive step, programs key to the provision, and attainment, of affordable housing remain underfunded as do programs for special needs populations.

COG Policy/Program Area of Concern: Affordable Housing

Increases:

- HOME Investment Partnership funding increased by \$223 million; this increase would provide state and local governments additional resources for the creation of affordable housing for low-income residents.
- Housing Counseling programs would receive an additional \$15 million for a total funding level of \$65 million. These resources will allow states and localities to provide additional assistance for families facing foreclosure as well as provide first home buyer counseling and predatory lending information.
- Homeless Assistance Grants funding would receive a \$50 million increase.

Cuts:

- Programs which provide assistance to special needs populations, including the elderly and individuals with disabilities, see significant reductions. The proposal requests a 27% reduction for Section 202 housing for the elderly and 32% to Section 811 housing for people with disabilities.
- HOPE VI, which provides funding to states and localities for the revitalization of public housing, has been eliminated for the seventh year in a row.
- CDBG grants continue to be cut, this year by \$727 million.

f. Law Enforcement

The Department of Justice's proposed budget of \$20.2 billion dollars cuts \$1.7 billion for state and local law enforcement assistance.

- Community Oriented Policing Services (COPS) and the Edward Byrne Justice Memorial Grant Program (JAG) have been zeroed-out, the two primary law enforcement assistance programs.
- The budget proposes to replace these, and 18 other programs, with two competitive discretionary grant programs: the Violent Crime Reduction Partnership (\$178 million) and the Byrne Public Safety and Protection Program (\$178 million); these two programs have been budget far below FY 2008 levels for a combined cut of \$1.98 billion.

g. Transportation

The Department of Transportation's budget of \$70 billion provides \$39.4 billion for the Federal-aid highways program, \$800 million below what is guaranteed by the Safe, Accountable, Flexible, Efficient Transportation Equity Act- A Legacy for Users (SAFETEA-LU)- ignoring the need for public transportation expansion.

- The budget request for transit is \$10.1 billion, \$202 million below that which is authorized under SAFETEA-LU
- The budget request for public transportation is \$318 million dollars below FY 2008 funds authorized by SAFETEA-LU though funding of the federal highway system remains fully funded at authorized levels.
- DOT has requested an additional \$175 million for an urban congestion initiative to fund local pilot programs such as rush hour toll measures and staggered work hours.

COG Policy/Program Concern: Metro Dedicated Funding

The budget is silent on funding for WMATA however, HR 401 "The National Capital Transportation Amendment Act of 2007" has been introduced in the House authorizing \$1.5 billion dollars in federal funding for capital improvements and maintenance needs of Metro to be incrementally distributed over 10 fiscal years; similar legislation is expected to be introduced in the Senate.