

**A Failure to Lead:  
President Bush's FY 2008 Budget Proposal and Its Implications for Smart Growth**

On February 5, President Bush formally unveiled his proposed, \$2.9 trillion budget for Fiscal Year 2008. Meanwhile, Congress is still putting the final touches on FY 2007 spending – a task left over from the 109<sup>th</sup> Congress. The House has passed an omnibus continuing resolution, H.J. Res 20, which sets funding levels through the end of the current fiscal year. The Senate is expected to pass the measure shortly.

The budget plan proposed by President Bush outlines cuts for most non-defense, non-homeland security domestic discretionary spending. It is particularly bleak for most infrastructure and community development programs. Sharp cuts are proposed for many key programs, including public transit, Community Development Block Grants, and water infrastructure funds. Cuts to core EPA programs place the federal government's only dedicated smart growth program in serious jeopardy.

The President's proposed budget is especially disappointing for the metropolitan areas where most Americans live, and rural lands and areas in need of conservation fare only slightly better. For example, it would slash funding for communities planning new transit projects, drastically cut support for Community Development Block Grants, and defund support for the HOPE VI program, which has successfully redeveloped decaying housing projects into new, mixed-income communities. It would also defund several important conservation programs, including the Grasslands Reserve Program, the Wildlife Habitat Program, and the Land and Water Conservation Fund, and once again proposes opening the Arctic National Wildlife Refuge to oil drilling.

The budget does propose to increase a few programs, however, including the HOME program (affordable housing and homeownership programs) and the Wetlands Reserve Program.

But overall, the President's proposals amounts to a drastic reduction in the administration's support for smart growth. These reductions do not reflect the will of American voters, whose demand for sensible development has grown in every corner of the nation (link to our election coverage 2006). They are also at odds with the Administration's own rhetoric. In his keynote speech at Thursday's New Partners for Smart Growth Conference in Los Angeles, EPA Administrator Stephen L. Johnson stated that "President Bush and EPA see smart growth as smart for our environment, smart for our economy and smart for our quality-of-life. And I'm committed to supporting communities like you that want to provide their residents the environmental, economic, and social benefits smart growth can bring... Through EPA's smart growth program, we have identified a constructive, collaborative role for the federal government—a commitment to removing unintended obstacles and providing communities with new

tools and resources.” (link to Johnson’s speech)

Smart Growth America will work with decision makers and coalition members to ensure that the federal government makes good on its commitment to smarter growth.

### **Housing and Urban Development**

As in recent years, the Bush Administration’s FY08 budget proposal for HUD calls for cuts in overall funding (a \$35.2 billion or 8 percent reduction from FY07), proposes significant changes to key programs such as Section 8 rental vouchers and Community Development Block Grants (CDBG), and targets several other programs for outright elimination, including ones for rural housing and brownfields redevelopment.

#### ***Community Development Block Grants (CDBG) reduced***

CDBG is a critical source of flexible community development funding for cities and communities. In the past, President Bush has moved to eliminate the program and replace it with a much smaller program under the Commerce Department, but was thwarted by Congress. The FY08 proposal recommends a formula change that would substantially reduce the number of eligible communities. The budget proposal is more than \$1.3 billion less than FY04 levels and represents a roughly 20 percent cut from last year. When adjusted for inflation, CDBG is approximately half what it was in 1981.

#### **CDBG**

FY08 Budget: 3 billion

FY07 Continuing Resolution (H.J. Res. 20): 3.7 billion

FY06 Enacted: 3.7 billion

#### ***HOPE VI program for public housing “zeroed out”***

The HOPE VI program provides funding for the conversion of distressed public housing projects into redeveloped, mixed-income communities. The Bush Administration has argued that the program has achieved its objectives and should be eliminated. The new budget again calls for zero funding. The FY08 request also calls for rescinding the \$99 million provided by Congress in FY06 for HOPE VI. In recent years, Congress has rejected this approach and provided limited funding, though overall levels have declined steadily.

#### **HOPE VI**

FY08 Budget: 0

FY07 Continuing Resolution (H.J. Res. 20): 99 million

FY06 Enacted: 99 million

#### ***Brownfields Economic Development Initiative (BEDI) “zeroed out”***

Like HOPE VI, BEDI has been regularly targeted for elimination in recent budgets.

Congress has provided minimal funding with \$10 million in 2006. The majority of federal brownfields funding is provided through the Environmental Protection Agency, but BEDI provides not only an additional source of funding but also has eligible uses that can spur development associated with remediation and reuse. Section 108 loan guarantees are eliminated in the proposed budget.

**BEDI**

FY08 Budget: 0

FY07 Continuing Resolution (H.J. Res. 20): 10 million

FY06 Enacted: 10 million

***HOME program for affordable housing and homeownership increased***

HOME provides formula grants to states and localities to fund various affordable housing or homeownership activities. The budget provides a \$200 million increase from FY06 levels, but HOME funding has been essentially flat in recent years, with the FY08 proposal down slightly from FY04 appropriated levels. HUD does call for doubling the American Dream Downpayment Initiative to \$50 million, increases homelessness assistance by \$118 million from expected FY07 levels, and boosts the HIV housing program by a modest \$14 million.

**HOME**

FY08 Budget: 1.9 billion

FY07 Continuing Resolution (H.J. Res. 20): 1.7 billion

FY06 Enacted: 1.7 billion

**Environmental Protection Agency**

The proposed FY08 budget for EPA is \$7.2 billion, a cut of 6.6 percent from the expected FY07 appropriations based on the House-passed continuing resolution. In FY06, EPA received appropriations of \$7.6 billion.

EPA's smart growth office is the federal government's most significant smart growth program. Unfortunately, the budget calls for cutting funding and staff from the innovation program area of the environmental program and management section of EPA, which houses EPA's smart growth program. The President's budget explicitly targets that office for reductions in staffing and budget.

The bad news continues for other growth-related budget items. The Clean Water State Revolving Loan Fund is slated for a \$400 million reduction from the expected FY07 funding of \$1 billion approved in the House passed long-term continuing resolution. This is likely to meet with great opposition, especially since the House Transportation and Infrastructure Committee last week approved a huge increase to \$20 billion over five years (H.R. 720).

Other programs, including various brownfields programs, will hold relatively flat.

**Brownfield Projects**

FY08 Budget: 89.3 million

FY06 Enacted: 88.7 million

**Brownfield Sec. 128 Grants**

FY08 Budget: 49.3 million

FY06 Enacted: 49.5 million

**Brownfield EPM**

FY08 Budget: 24.5 million

FY06 Enacted: 23.4 million

**Clean Water State Revolving Loan Fund**

FY08 Budget: 687.5 million

FY06 Enacted: 837.5 million

**Drinking Water State Revolving Loan Fund**

FY08 Budget: 842.2 million

FY06 Enacted: 837.5 million

**State and Local Air Quality Grant**

FY08 Budget: 185 million

FY06 Enacted: 220 million

**State and Tribal Assistance Grants**

FY08 Budget: 2.7 billion

FY06 Enacted: 3.1 billion

**Environmental Program and Management**

FY08 Budget: 2.29 billion

FY06 Enacted: 2.33 billion

**Transportation**

Traditionally, transportation is among the least surprising and contentious of the federal budget items, mostly because of statutory funding levels established in the nation's surface transportation bill. However, this year's budget proposal for transportation is likely to generate considerable debate. Although the FY08 DOT budget proposal fully funds highways and safety programs at the levels called for in SAFETEA-LU, the funding blueprint fails to fully fund transit programs at promised levels.

### ***Bush's budget reneges on national commitment to transit***

The president's fiscal 2008 budget proposal requests \$9.42 billion for the Federal Transit Administration (FTA), down \$430 million (4.4 percent) from the \$9.85 billion provided by Congress in FY06. The proposed FY08 funding is \$309 million less than the level authorized by SAFETEA-LU. The proposed funding represents an 18 percent cut from anticipated levels. Most of that would come from the New Starts program, which would drop from \$1.7 billion to \$1.4 billion. The change has already sparked bipartisan criticism from leaders of the House Transportation and Infrastructure Committee.

### ***AMTRAK again target, but Congress has other plans***

The FY08 budget request calls for \$800 million for the nation's intercity passenger rail service, a sharp cut from the \$1.293 billion allocated by Congress last year. Congress seems likely to again ignore the President's AMTRAK funding request. This year, Congress appears poised to adopt legislation that would increase funding authorizations and encourage state support for passenger rail. New AMTRAK legislation would peg funding at more than \$1.5 billion.

### ***Other transportation programs***

The budget calls for the creation of a new highway congestion initiative to be funded at \$175 million. The Jobs Access Reverse Commute (JARC) program is slated for \$156 million. The Congestion Mitigation and Air Quality (CMAQ) program is proposed at \$1.6 billion for FY08. The New Freedom program (accessibility for people with limited physical abilities) would receive \$87 million.

### ***The looming fight over gas tax revenues***

Another sore subject is sure to be the decision to apply excess gas tax revenue to the trust fund instead of distributing the fund to programs. The FY 2008 budget request asks for \$40.3 billion, a \$300 million increase from FY07. However, the budget eliminates \$842 million in Revenue Aligned Budget Authority (RABA). This is an annual calculation based on actual motor fuel tax receipts. This provision ensures that transportation funding follows actual revenue from gas taxes and vehicle taxes. If more revenue than originally predicted is received, the RABA adjustment adds money to the baseline funding levels set in SAFETEA-LU. However, this year the Administration argues that concerns about the future stability of the highway trust fund demand that additional funding be held in reserve.

### ***Agriculture***

The budget for USDA programs takes on additional significance this year because funding levels will influence this year's Farm Bill reauthorized levels. The Administration has proposed \$89 billion for agriculture programs, a roughly 5 percent drop from 2006 outlays. Much of the savings would come from reduced pay-outs for

commodity crops, since the high prices for the crops mean fewer government subsidies. Many in Congress, including Senate Agriculture Chairman Tom Harkin (D-IA), believe those savings should be invested instead in conservation, rural development, and renewable energy. They are particularly concerned about the lower budget figure since it forms a spending baseline for the upcoming Farm Bill debate.

Among the conservation programs, the Wetlands Reserve Program is slated for a major boost in funding. The large EQIP program would remain essentially unchanged from expected FY07 levels with a cut of \$17 million to \$1 billion. But several smaller conservation programs, including the Grasslands Reserve Program and the Wildlife Habitat Program, are zeroed out. Under the Administration's Farm Bill proposal these programs would be folded into EQIP.

The budget proposes \$15 million for renewable energy grants and \$19 million for renewable energy loans. The proposal represents a shift from grants toward loans. House Agriculture Appropriations Subcommittee Chair Rosa DeLauro (D-CT) has expressed concerns about the energy provisions of the proposal.

**Watershed Planning**

FY08 Budget: 6 million  
FY07 Expected (H.J. Res 20): 6 million  
FY06 Enacted: 0

**Flood Prevention**

FY08 Budget: 74 million  
FY07 Expected (H.J. Res 20): 40 million  
FY06 Enacted: 0

**Environmental Quality Incentives Program (EQIP)**

FY08 Budget: 992 million  
FY07 Expected (H.J. Res 20): 1.017 billion  
FY06 Enacted: 1 billion

**Wetlands Reserve Program**

FY08 Budget: 191 million  
FY07 Expected (H.J. Res 20): 264 million  
FY06 Enacted: 455 million

**Conservation Security Program**

FY08 Budget: 257 million  
FY07 Expected (H.J. Res 20): 259 million  
FY06 Enacted: 316 million

## **Forest Service – Land Management Planning**

FY08 Budget: 58 million

FY07 Expected (H.J. Res 20): 58 million

FY06 Enacted: 53 million

## **Interior**

One of the biggest funding stories from the 109<sup>th</sup> Congress was the last-minute approval of legislation that opened up selected areas of the Gulf of Mexico for new drilling and dedicated a portion of those new lease revenues to Gulf Coast land conservation and the stateside Land and Water Conservation Fund (LWCF). However, those revenues will not show up for a few years, and in the meantime the Administration continues to propose elimination of state LWCF funding.

In FY06, \$27.9 million for LWCF was approved by Congress, but the Administration's FY07 and FY08 budgets cut all funding for the program. Proposed funding for federal land acquisition remains generally stable with \$22.5 million allocated in the budget, a cut of \$5.8 million from the continuing resolution. Overall, the National Park Service would receive increased funding totaling \$2.365 billion.

The Historic Preservation Fund is slated for a \$5 million dollar increase in the FY08 budget to \$63.6 million. The budget sets aside \$4 million for a new national inventory of historic properties. The inventory would be maintained and managed by state and local governments, but coordinated nationally to integrate information in an accessible format. The Administration hopes the inventory would provide easier access to agencies that need information on historic properties for planning and environmental reviews.

The Interior budget also includes funding for the Healthy Lands Initiative. The Healthy Lands Initiative seeks to address challenges associated with increased energy development and other resource use activities in the West and their potential conflicts with needs for wildlife and habitat conservation. Interior requested \$22 million in new funding for BLM, the Fish and Wildlife Service and U.S. Geological Survey to help restore up to 500,000 acres. The budget once again calls for opening the Arctic National Wildlife Refuge to drilling, but with the change in control of Congress that provision is sure to be rejected.

## **Homeland Security**

Along with the Department of Defense, the Department of Homeland Security was one of the few federal departments to see a boost in discretionary funding in the President's FY08 budget. The budget request for the Department of Homeland Security (DHS) represents \$46.4 billion in funding, an increase of 8 percent over the FY07 level, excluding funds provided in emergency supplemental funding.

### ***Failing to secure transit systems***

The increase in funding called for the Administration's budget will not benefit transit security. The Bush budget chose to freeze security funding for transit, passenger rail, and freight rail security at \$175 million, the same amount appropriated by Congress for FY07. The Administration's proposed budget for the Targeted Infrastructure Capability Grants Program (port, mass transit, bus, and trucking) is the same as the FY07 enacted levels.

The Administration's budget requests a slight increase of \$30 million to \$800 million in FY08 for the Urban Area Security Initiative (UASI) program, which addresses the unique planning, operations, equipment, training, and exercise needs of high-threat, large population urban areas.

### **Treasury**

The Treasury Department's Community Development Financial Institution fund was established to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States. The FY08 budget seeks to cut the fund roughly in half from current funding. The budget calls for \$28 million while the FY07 continuing resolution provides \$54 million for CDFI. In FY04, CDFI was funded at \$61 million.

### **Commerce**

For the Economic Development Administration (EDA), the FY08 budget requests \$202.8 million. That amount is down from the 2006 funding level of \$280.4 million and \$57.4 million less than the FY07 amount called for in the continuing resolution.