

## **FY 2009 Budget Analysis**

### **President Releases FY 2009 Budget Proposal**

#### **CONGRESS SKEPTICAL OF DOMESTIC CUTS, PRIORITIES**

President Bush has submitted to Congress the final budget proposal of his administration. The \$3.1 trillion plan essentially freezes overall non-defense domestic discretionary spending with many key community development programs targeted for significant cuts in funding.

The budget proposal once again calls for a number of planning and community-related programs to be either restructured or eliminated. Many of these ideas have been previously rejected by Congress. For example, this is the fourth consecutive budget which has recommended an overhaul of the Community Development Block Grant program. The budget also recommends using transit funds to fill a projected gap in the highway trust fund.

Many on Capitol Hill have already rejected much of the budget blueprint. In an election year, it is even more unlikely that Democratic leaders in Congress would accept the cuts and program recommendations in the budget. However, the reality of slim majorities and the inability to override presidential vetoes means that the Administration will continue to have a significant voice on spending issues.

Last year, Congress rejected most of the specific cuts proposed by the Administration but ultimately was forced to accept the overall spending levels outlined by the White House. It is possible that Congress might opt to wait until after the November election to finalize FY 09 spending.

Following is an overview of the budget proposal for key planning and community programs by department. Funding levels noted in charts are provided in millions.

### **HUD: Budget Cut Reprise**

#### **BUDGET CALLS FOR CDBG RESTRUCTURING, ELIMINATION OF PROGRAMS**

At HUD, it's a case of déjà vu all over again. The budget proposal calls for a \$600 million cut to Community Development Block Grants and a general restructuring of the program away from formula grants toward more limited assistance for economic distress. If enacted, the CDBG proposal would represent a cut of nearly 1/3 since FY 2003. The budget also again asks Congress to eliminate HOPE VI, Section 108 loan guarantees, the Brownfield Economic Development Initiative, and the Rural Housing and Economic Development program. Congress is almost certain to again reject these proposals. The House of Representatives just voted to reauthorize the HOPE VI program. The budget maintains roughly current funding levels for project based rental assistance and calls for increases in the HOME program.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+ / -</b>
CDBG	3,711	3,593	2,934	-18.3%
HOPE VI	99	100	0	-100%
BEDI	10	10	0	-100%
HOME	1,733	1,704	1,967	15.4%
Research (OPDR)	79	53	55	3.7%
Project Based Rental Assistance	5,976	6,382	7,000	9.7%

**DOT: Transit Account Raided to Fill Highway Trust Fund Gap**  
**PROGRAMS FUNDED BELOW SAFETEA-LU ‘GUARANTEES’**

The Department of Transportation was among the hardest hit in the FY 2009 budget. The budget calls for DOT to receive \$57.1 billion for FY 2009 which is about a 10% cut from current funding levels. The rationale for the decrease is lower than anticipated gas tax receipts flowing into the trust fund. To address the projected shortfall, the budget cuts highway funding by more the 4 percent and would allow money to be moved from the mass-transit account to help maintain the highway trust fund.

Federal Highway Administration (FHWA) funding is reduced below the levels established in SAFETEA-LU by roughly \$1.8 billion under the authorized obligation limit. The reduction comes from a projected negative Revenue Aligned Budget Authority (RABA) of \$1 billion – which allows for reductions in funding based on diminished gas tax receipts – and \$800 million in rescissions from unobligated project balances.

The administration estimates that it will need to take about \$3.3 billion from the mass transit accounts in FY 2009. According to the American Association of State Highway and Transportation Officials, the deficit could reach \$12 billion unless action is taken to shore up the trust fund. Lower then authorized funding levels and allowing the Highway Trust Fund to dip into the Mass Transit Account will have a detrimental impact on the future of the US transit system. Absent new funding, the federal transit program could not be funded in 2010 at even the current level.

The proposed budget would fall short of the funding levels authorized in the 2005 transportation authorization legislation (SAFETEA- LU). Secretary Peters said that the department will still spend the authorized levels over the life of the law. The administration is also asking Congress for \$175 million for a program to combat highway congestion.

The budget also proposes that 75 percent of funds for discretionary programs be reserved to support critical congestion relief projects. Projects that combine road pricing, transit and technology solutions would be given priority consideration by the department.

Amtrak is again slated for a major cut in funding. Last year Congress provided \$1.35 billion for Amtrak. The budget asks for \$800 million, an amount insufficient to continue current levels of service.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
Federal Highway Administration	\$39,624	\$42,180	\$40,138	- 5%
Federal Transit Administration (FTA)	\$9,987	\$9,492	\$10,135 <sup>1</sup>	+7%
Formula and Bus Grants	\$8,240	\$7,768	\$8,361	+8%
Transit Capital Investment Grants <sup>2</sup>	\$1,566	\$1,569	\$1,621	+4%
Job Access & Reverse Commute	\$144	\$156	\$165	+6%
New Freedom	\$81	\$87.5	\$93	+6%
CMAQ <sup>3</sup>		1,725	1,695	-1.7%
Safety <sup>3</sup>		1,055	1,040	-1.4%
STP <sup>3</sup>		6,365	6,254	-1.7%
Amtrak		1,325	800	-39.6%

<sup>1</sup> – Under the proposal transit funding could be shifted into the Highway Trust Fund if a shortfall arises.

<sup>2</sup> – Includes New Starts and Small Starts

<sup>3</sup> – Funding levels noted are obligation limits, not contract authority and include estimated RABA projections.

### **EPA: Infrastructure Accounts Targeted for Cuts**

**OVERALL SPENDING WOULD BE \$1.3 BILLION BELOW FY2004 LEVEL**

The Administration proposes another decrease in funding for the Environmental Protection Agency (EPA). The administration proposed \$7.1 billion in discretionary funding for EPA in FY 2009. The agency's budget has steadily declined since it received \$8.4 billion in FY 2004.

The proposal includes \$134 million cut to the Clean Water State Revolving Fund, a low-interest wastewater loan program that helps states construct water treatment facilities. State and tribal assistance grants would also be cut. Other areas slated for reductions include targeted water infrastructure programs and leaking underground petroleum storage tank cleanup. Funds for targeted water infrastructure would drop from about \$177 million in fiscal 2008 to \$26 million in fiscal 2009.

The popular brownfields program would also be cut slightly from \$168.3 million to \$165.7 million. On Capitol Hill, the Chairman of House Transportation and Infrastructure introduced legislation to formally reauthorize the brownfields program. The bill, HR 5336, extends the program to 2012, raises the authorization level for the site assessment and cleanup program from \$200 million to \$350 million annually, and eliminates the 25 percent set-aside for petroleum-contaminated sites. The bill also adds a “ranking criterion” that favors funding of projects that implement green and energy-efficient building standards.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
Clean Water State Revolving Loan Fund	1,084	689	\$555	-20%
Drinking Water State Revolving Loan Fund	850	842	842	--
Brownfields Programs	165	168	165	-1.7%
Watershed Grants	17	10	0	-100%

**Commerce: EDA Funding to be Cut 53%**  
**NEW NOAA, CENSUS FUNDING PROPOSED**

The overall budget for the Department of Commerce would increase more than 18% under the outlines of the budget proposal. The majority of that increase is due to necessary preparations for the 2010 census. The proposal calls for a modest increase at NOAA which will, in part, fund additional climate monitoring and climate adaptation work. The NOAA budget provides \$981 million for weather and climate monitoring.

Other Commerce programs do not fare as well in the budget. In particular, the Economic Development Administration would be cut by more than half with most of the reduction occurring in public works funding. If approved, EDA funding would have been cut nearly 70% since FY 2001.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
EDA	284	280	133	-51.4%
NOAA	4,000 (approx)	3,900 (approx)	4,100 (approx)	2.5%
Census	893	1,200	2,600 (approx)	117%

**Interior: State LWCF Grants Eliminated**  
**NEW WATER PROGRAM PROPOSED**

The Interior budget proposal again calls for eliminating stateside Land and Water Conservation Fund grants, reducing federal land acquisition, and cutting historic preservation. Overall budgets for USGS and the National Park Service are generally unchanged. The budget calls for a new “national water census” and new grants for “water conservation and basin studies.” The budget continues to call for expanded oil and gas drilling, including in ANWR.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
State LWCF	28	23	0	-100%
Federal Land Acquisition	20	30	9	-70%
USGS	983	1,000	969	-3%
State Wildlife Grant	76	74	74	0
Historic Preservation Fund	55	70	66	-5.7%
Water Census & Grants	--	--	21	

**Homeland Security: Local Grants, Hazard Mitigation Cut**  
**CUTS HIT STATE, LOCAL PROGRAMS**

The budget proposes a \$2.7 billion increase in funding for the Department of Homeland Security. Despite the overall increase, the budget seeks deep cuts for FEMA and a variety of state and local grant programs. Taken together, state and local programs administered by DHS would be cut by \$2 billion, nearly half of current funding. The State Homeland Security Grant Program would receive \$200 million, a cut of \$750 million. Emergency management grants would be cut by 50%. The Pre-Disaster Mitigation Fund would be cut by \$39 million to \$75 million. Flood map modernization would receive \$70 million less than current funding.

The DHS budget calls for the same amount of funding for transit, passenger rail, and freight rail security that Congress appropriated in FY 2007. The omnibus more than doubled that funding for FY 2008. Among the hardest programs would be transit security grants, Congress increased funding to \$400 million in FY08 but the budget request seeks to cut that by more than half.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
State Homeland Security Grants	525	950	200	-79%
Public Transportation Security Assistance and Railroad Security Assistance	175	400	175	-56%
Pre-Disaster Mitigation	100	114	75	34%
Flood Map Modernization	199	220	150	32%
Urban Area Security Initiative	770	820	825	0.6%
Transit Security Grants	175	400	175	-56%

### **Agriculture: Major Cut Proposed for Rural Development**

#### **USDA SHIFT FROM GRANTS TO LOAN GUARANTEES CONTINUES**

The budget calls for terminating or reducing funding for 33 USDA programs for a savings of \$2.3 billion. The proposal includes \$2.1 billion for rural development programs, a cut of nearly \$300 million. Beyond the funding reductions, the budget anticipates accelerating a recent trend of shifting USDA community assistance programs from grants to loan guarantees.

The budget is a mixed bag for land conservation programs. The most significant reduction is for the Wetlands Reserve Program which will receive a 60% reduction in funding as the Administration is assuming it will reach its acreage enrollment cap with \$181 million. The budget does not propose to fund additional watershed operations projects and instead redirects those funds to other agency programs. More funds are proposed for the Environmental Quality Incentives Program (EQIP) than were received in the FY 2008 omnibus, but the budget proposes to permanently cancel mandatory funds in excess of \$1.05 billion which is what was allocated for 2009. The budget does not align with pending Farm Bill versions approved by the House and Senate and now in conference. The urban forestry program is slated for a severe cut in funding.

<b>Program</b>	<b>FY07 Enacted</b>	<b>FY08 Omnibus</b>	<b>FY09 Proposed</b>	<b>+/-</b>
Watershed Planning	6	0	0	0
Flood Prevention	40	30	30	0
Environmental Quality Incentives Program (EQIP)	1,017	1,000	1,050	5%
Wetlands Reserve Program	246	455	181	-60.2%
Conservation Security Program	257	382	360	-5.6%
Urban Forestry	30	27	5	-82%