



PRESIDENT'S FY2009 BUDGET BLUEPRINT:

AN ANALYSIS OF FEDERAL COMMUNITY, ECONOMIC, HOMELAND SECURITY, HUMAN SERVICES AND TRANSPORTATION PROGRAMS

On February 4, President Bush released a \$3.1 trillion budget proposal, which echoes themes from past budget plans: significant increases for defense with minimal growth or cuts for domestic programs. The budget allows discretionary spending to grow 4.9 percent to \$987.6 billion for FY2009. However, the bulk of the increase is reserved for defense programs with non-defense spending restricted to an increase of only 0.3 percent.

The budget proposal cuts discretionary funding for a number of agencies, including the Department of Health and Human Services (HHS) by two percent to \$70.4 billion, Department of Justice (DOJ) by 10.7 percent to \$20.3 billion, Department of Transportation (DOT) by 25.7 percent to \$11.5 billion and the Department of Labor by 7.8 percent to \$10.5 billion. In total, the budget terminates or cuts funding for 151 different federal programs, including many community and economic development accounts, to save \$18 billion.

More than half of the discretionary spending proposed in the request, \$515.4 billion, is reserved for the Department of Defense, an increase of 7.5 percent, excluding war funding, from the current allocation. According to the White House budget fact sheet, the base budget for defense is up nearly

74 percent since President George W. Bush took office in 2001.

The budget provides \$549.6 billion in discretionary spending for all defense and national security programs, an increase of 8.2 percent. Meanwhile, the budget freezes non-defense programs at the FY2009 level of \$393 billion through FY2013.

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According to the Center for Budget and Policy Priorities, when factoring inflationary effects, the President's request for non-defense programs is roughly 2.3 percent or \$10 billion under current levels.

The budget seeks war funding of \$70 billion for FY2009. This is considered a partial request and Congressional Democrats are pressuring the President to include a full year's funding for operations in Iraq and Afghanistan, saying the partial request obscures the true cost of the war from the public.

During a hearing before the Senate and House Armed Services committees this week, Defense Secretary Robert Gates conceded that the total cost for operations in Iraq and Afghanistan for fiscal 2009 would approach \$170 billion, bringing the total cost for the wars to roughly \$963.5 billion.

FEDERAL DEFICIT PROJECTED TO INCREASE FROM FY2008

The budget also anticipates a significant jump in the annual deficit. The Office of Management and Budget (OMB) is projecting a deficit of \$410 billion in FY2008 and \$407 billion in FY2009, nearly \$300 billion over the fiscal 2007 deficit of \$162 billion.

Since 2001, the national debt has jumped from \$5.7 trillion to \$9.7 trillion. It is estimated that interest payments on the debt will total \$260 billion in FY2009 and rise to \$302 billion FY2013. It is also now estimated that 80 cents out of every dollar of new public debt is owed to foreign entities and 44.5 percent of our nation's public debt, compared to only five percent in 1970 and 18.3 percent in 1990.

Under the President's budget, the government will run a \$48 billion surplus by fiscal year 2012. The plan assumes \$195.7 billion in cuts to Medicaid and

Medicare over the next five years and that operations in Iraq and Afghanistan are not funded beyond 2009.

The budget is expected to face significant opposition from Democrats on Capitol Hill. However, during last year's budget debate, Democrats were forced to capitulate to the administration's overall spending caps. As a result, many assistance programs for state and local governments were level funded or event cut.

A similar predicament faces Democrats since they lack the votes necessary to overcome a Presidential veto. It is unclear if Democrats would be willing to extend current funding for programs until the next administration in hopes of dealing with a more sympathetic President.

Following is a comprehensive analysis of federal community and economic development, emergency management and homeland security, human services, transportation and workforce development programs.

The Numbers: A Breakdown of Bush's Fiscal 2009 Budget

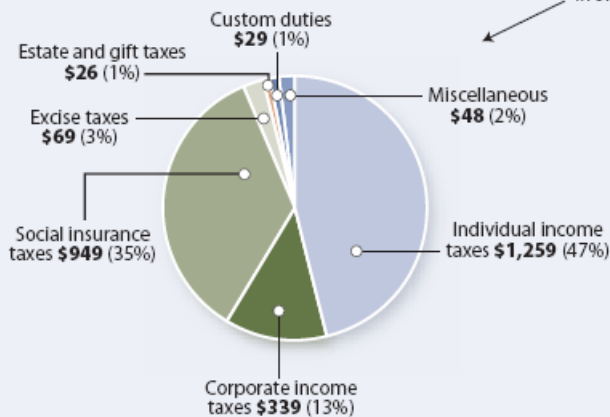
The president's fiscal 2009 budget proposes \$3 trillion in new spending, or budget authority. Actual outlays, which include spending approved in prior years, are estimated at \$3.1 trillion. The administration forecasts that outlays will continue to exceed revenue until 2012.

	Fiscal years, in billions of dollars						
	2007	2008	2009	2010	2011	2012	2013
Budget Authority	2,863	3,013	3,026	3,064	3,192	3,267	3,438
Outlays	2,730	2,931	3,107	3,091	3,171	3,222	3,399
Revenues	2,568	2,521	2,700	2,931	3,076	3,270	3,428
DEFICIT/SURPLUS	-162	-410	-407	-160	-95	48	29

Fiscal 2009 Revenue Estimates

\$2.7 trillion

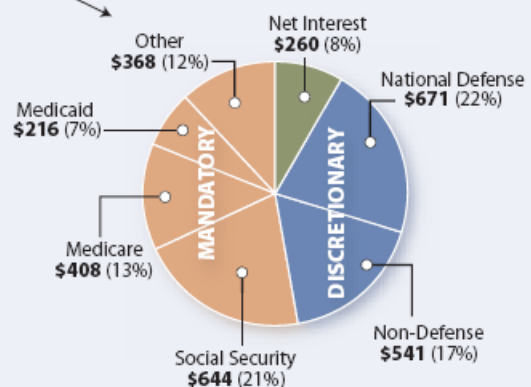
- \$20 billion for stimulus package not graphed



Source: Congressional Quarterly

Fiscal 2009 Proposed Outlays

\$3.1 trillion



*includes farm payments, food stamps, earned-income tax credit, unemployment insurance and federal worker benefits

USDA RURAL DEVELOPMENT

The budget includes \$97 billion in fiscal 2009 funding for the Department of Agriculture (USDA), a 5 percent increase over the fiscal 2008 total. This includes \$20.8 billion in discretionary spending, a reduction of \$1.1 billion.

President Bush is proposing to terminate or reduce 33 USDA programs, which according to the White House will save \$2.3 billion in fiscal 2009. The proposal includes \$2.1 billion for USDA Rural Development programs, a reduction of nearly \$300 million.

Within Rural Development, the administration continues to move away from providing direct grant and loan assistance to relying heavily on loan guarantee programs. As a result, a number of grant programs and direct loans are slated for elimination or reduction while program support for loan guarantees generally increases.

The budget also retains a change enacted last year to the method in which funds under the former Rural Community Advancement Program (RCAP) are appropriated. Funds for rural community facilities, water and sewer, and business cooperatives are no longer combined under a single RCAP account.

Funds for these programs are appropriated under separate accounts within the Rural Housing, Rural Business Cooperative and Rural Utility services.

RURAL HOUSING SERVICE

The proposed budget for the Rural Housing Service (RHS) reflects a shift from direct housing loans to an increased reliance on loan guarantees. Section 502 Single Family Guaranteed Loans are funded at \$4.8 billion, \$500 million less than current spending, but no funding is provided for direct loans under this program. The budget proposes to increase the guarantee fee for homebuyers using Section 502 guaranteed loans from two percent to three percent.

The budget provides \$300 million for Section 538 Multi-Family Housing guaranteed loans, an increase of

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\$170 million, but provides no funding for Section 515 direct loans.

The budget does provide increases for two RHS grant programs: \$43.5 million for Rural Housing Assistance Grants, a \$4.5 million increase, and \$997 million for the Rental Assistance Program, a \$515 million increase.

Within the Rental Assistance Program, the administration is proposing to set aside \$100 million for a "pilot voucher program" for eligible Rental Assistance Program tenants. They will "be used in place of project based rent on a portion of section 515 rural housing projects." The budget also proposes to require every tenant receiving Rental Assistance or a voucher to pay a minimum \$50 monthly rent.

No funds are provided for Mutual and Self Help Housing Grants or the Rural Community Development Initiative.

The budget includes \$23.7 million for rural community facility loans and loan guarantees, \$39.2 million less than current funding. This will support \$302 million in direct loans and \$210 million in guaranteed loans but will provide no community facility grant funding.

According to USDA budget documents, no community facility grant funding is included because "most projects can be funded by loans and loan guarantees."

RURAL BUSINESS COOPERATIVE SERVICE

Under the Rural Business Service (RBS), Rural Cooperative Development Grants are provided \$4.4 million, \$23.5 million less than current funding. Of this funding, \$1.5 million is for grants to assist disadvantaged producers. The Intermediary Relending Program remains flat at \$33.7 million.

The proposal reduces the Rural Business Program account by \$57.2 million to \$30.4 million. This funding will support \$700 million for Business and Industry guaranteed loans, down from over \$1 billion. No funding is included for Rural Business Opportunity Grants, Rural Business Enterprise Grants, Rural EZ/EC Grants or the Delta Regional Authority.

The administration eliminates funding for Rural Economic Development loans or grants, Renewable Energy guaranteed loans or grants and Value-Added Market Development grants.

RURAL UTILITY SERVICE

The budget recommends no funding for Rural Utility Service (RUS) broadband grants but proposes \$300 million for broadband loans, level with current funding. Grants for distance learning and telemedicine would decline by \$15 million to \$20 million and no funding is included for distance learning and telemedicine loans or high cost energy grants.

Within RUS, \$269 million is provided to support guaranteed loans, direct loans and grants within a new Water and Waste Disposal Account, \$293.6 million less than current funding. Under this program, direct loan support will increase to \$1.3 billion, grant funding will drop by \$249 million to \$220 million and funding for guaranteed loans remains level at \$75 million. The interest rate for water and wastewater direct loans rate remains at 4.5 percent.

RESOURCE CONSERVATION AND DEVELOPMENT

No funding is proposed for the Resource Conservation and Development (RC&D) Program. The administration indicates the program, which received \$51 million in fiscal 2008, duplicates other programs.

DEFENSE DEPARTMENT: BASE REALIGNMENT AND CLOSURE

The budget provides \$9.5 billion within the Department of Defense for Base Realignment and Closure (BRAC) accounts, \$2 billion more than current funding. Of the total, \$9 billion will support activities related to the 2005 round of base closings and \$393 million is for the 1990 round.

FEDERAL COMMUNITY & ECONOMIC DEVELOPMENT PROGRAMS

PROPOSED FOR ELIMINATION

USDA:

**Rural Business Enterprise Grants
Rural Business Opportunity Grants
Resource Conservation & Development
Rural Economic Development Program**

HHS Community Service Block Grant

SBA Microloan Technical Assistance

SLATED FOR MAJOR CUTS

**USDA Water and Waste
Disposal Grants**

**Community Development Financial
Institutions (CDFI)**

**Economic Development
Administration**

**EPA Clean Water State
Revolving Fund**

**HUD Community Development
Block Grants**

Manufacturing Extension Partnerships

DEPARTMENT OF COMMERCE

The budget request contains \$8.9 billion in budget authority for the Department of Commerce, including \$8.2 billion in discretionary spending, an increase of 18.4 percent over FY2008 due primarily to increased preparations for the 2010 decennial census.

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration (EDA) is provided \$132.8 million, a cut of nearly \$147 million. The reduction comes primarily from a cut of \$141 million to the public works account. Funding in the budget for specific EDA programs includes:

- **Planning:** \$27 million, equal to the required level established in the 2003 reauthorization legislation
- **Technical Assistance:** \$9 million, equal to FY2008
- **Public Works:** \$7 million, a cut of \$141 million
- **Economic Adjustment:** \$40 million, \$2.3 million under FY2008 funding
- **Research:** \$1 million, an increase of \$500,000
- **Trade Adjustment Assistance:** level at \$14 million
- **Global Climate Change Initiative:** \$2 million, nearly \$7.5 million under current spending

The budget increases funding for EDA's salaries and expenses by \$2 million to \$32.8 million and states that in 2009 "EDA will continue to place funding priority on investments that drive economic growth, enhance regional competitiveness, and diversify the regional and local economy while also seeing to target funds to our Nation's most distressed communities."

The President's plan would reduce funding for the Economic Development Administration (EDA) by 53 percent, resulting in an overall funding cut of nearly 70 percent since FY01.

The proposed cut of \$147 million in EDA project funds could potentially result in the loss or delay of nearly \$4.12 billion in new private sector investments in distressed areas.

CENSUS BUREAU

Funding for the Census Bureau's Periodic Censuses and Programs more than doubles from \$1 billion to \$2.3 billion. The administration states that funding will be used for "opening and staffing of 150 local census offices, verifying and geo-coding street addresses, finalizing major information technology systems, printing questionnaires and other forms, developing a national advertising strategy, and hiring regional and headquarters staff to oversee field activities. The Census Bureau will also continue to conduct the American Community Survey, the replacement for the long-form."

MANUFACTURING EXTENSION PARTNERSHIPS

Within the National Institutes of Science and Technology (NIST), the President proposes to make the Manufacturing Extension Partnership (MEP) centers independent, cut the program from \$89.4 million to \$4 million.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The budget provides \$28.6 million for the Treasury Department's Community Development Financial Institutions (CDFI) Fund, a decrease of \$65.4 million. Funds would be available through FY2010. Of this amount, no more than \$13.7 million could be used to administer the New Markets Tax Credit program. No funds are requested for the Bank Enterprise Awards (BEA) program, currently funded at \$20 million.

ENVIRONMENTAL PROTECTION AGENCY

The budget request contains \$7.1 billion in discretionary spending for the Environmental Protection Agency (EPA), roughly \$400 million under current funding. If enacted, the budget proposal would represent a \$1.3 billion decline in discretionary spending since FY2004.

State and Tribal Assistance Grants are reduced from \$2.9 billion to \$2.6 billion. The Clean Water State Revolving Fund (SRF) is targeted for reduction: \$555 million for the program, a cut of \$145 million and nearly \$800 million below the FY 2004 level of \$1.35 billion. The Safe Drinking Water SRF is provided with level funding of \$842.1 million. The budget also rescinds \$10 million in unobligated monies from the State and Tribal Assistance Grant program.

The request contains a total of \$165.7 million for the three Brownfields accounts, which is slightly under the current appropriation of \$168.3 million.

The President recommends \$16.8 million for Wetlands Program Development and \$57.9 for the Tribal General Assistance Program. In addition, \$11 million is for the Environmental Information Exchange Network grant program and \$5 million for Homeland Security grants to support state efforts to work with drinking water and wastewater systems to develop and enhance emergency operations plans.

HEALTH AND HUMAN SERVICES

Under the FY2009 budget, total outlays for the Department of Health and Human Services (HHS) increase 4.1 percent to \$737 billion. According to the agency, the increase is primarily due to growth in the Medicare and Medicaid entitlement programs. However, the agency's discretionary budget decreases approximately \$1.5 billion to \$70.4 billion. Similar to previous budgets requests, the administration is proposing to eliminate funding for the Community Services Block Grant, Community Economic Development, Rural Community Facilities and Job Opportunities for Low-Income Individuals programs. Total funding for these programs equals \$726 million. Congress has refused to enact past requests to eliminate funding for these initiatives.

Social Services Block Grants (SSBG) will receive \$1.2 billion, \$500 million less than current funding. The administration is proposing to eliminate the program in fiscal 2010, arguing that SSBG received a PART score of "Results Not Demonstrated" in 2005 and that "scarce Federal resources would be better used in targeted programs with measured results."

The budget provides \$7 billion for Head Start, \$26 million over current funding, and \$2 billion for Child Care and Development Block Grants, \$40 million less than current funding.

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The Low Income Home Energy Assistance Program (LIHEAP) is provided \$2 billion, which includes \$300 million in contingency funding. The program is currently funded at \$2.6 billion, which includes \$250 million in emergency spending.

The budget requests \$75 million for the Compassion Capital Fund, an increase of \$22 million.

A total of \$1.3 billion is included for the Administration on Aging, \$53 million less than current funding. Aging funding includes \$351 million for community-based support services, \$411 for congregate meals, \$194 million for home delivered meals and \$28 million for the administration's Choices for Independence Initiative.

DEPARTMENT OF HOMELAND SECURITY

President Bush's budget request includes \$40.1 billion to fund the Department of Homeland Security (DHS). This includes \$37.6 billion in discretionary spending, \$2.7 billion more than fiscal 2008.

Despite the overall increase in discretionary spending, the administration is proposing deep cuts for state and local grant programs within the Federal Emergency Management Agency (FEMA), which are slated to receive \$2.2 billion, \$2 billion less than current funding.

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The President proposes to reduce funding for the State Homeland Security Grant Program (SHSGP) by \$750 million to \$200 million. The budget retains changes made to the distribution formula for SHSGP. Funds will be distributed according to the recommendations of the *9/11 Commission Act* (PL 110-53), which reduces the minimum amount guaranteed each state from 0.75 percent to 0.36 percent of the total amount appropriated. The remainder of funds will be distributed according to risk and need.

Firefighter Assistance Grants receive \$300 million under the budget proposal, \$450 million less than current funding. This is the fourth consecutive year the administration has proposed a major reduction for this program.

Funding for the Local Law Enforcement Terrorism Prevention (LLETP) program is eliminated. In accordance with requirements of the *9/11 Commission Act*, at least 25 percent of SHSGP and Urban Area Security Initiative (UASI) grant allocations must be directed to law enforcement terrorism prevention activities.

Additional funding for FEMA prevention and response programs includes:

- **Urban Area Security Initiative:** \$825 million, \$5 million more than current funding
- **Emergency Management Performance Grants:** \$200 million, \$100 million less than FY2008
- **Port Security Grants:** \$210 million, \$190 million less than current funding
- **Citizen Corps:** \$15 million, level with FY2008

The administration is proposing \$110 million for a new National Security and Terrorism Prevention Grant program to provide competitive grants to state and local agencies to address national vulnerabilities identified by the Secretary as priorities.

The budget eliminates funding for Regional Catastrophic Preparedness Grants, the Buffer Zone Protection Program and the Interoperable Communications Grant program.

For FEMA mitigation programs, the budget requests \$75 million for the Pre-Disaster Mitigation Fund, \$39 million less than current funding and \$150 million for the Flood Map Modernization Fund, a \$70 million reduction. The Disaster Relief program will receive a \$500 million funding boost to \$1.9 billion.

HOUSING AND URBAN

The request provides \$38.5 billion in discretionary spending for HUD, nearly three percent over the amount currently provided.

The administration's budget again proposes a significant cut for the Community Development Block Grant (CDBG) program. CDBG would be reduced more than \$600 million to \$2.93 billion. If enacted, the proposal would represent a cut of nearly 33 percent since FY2003. In addition, the budget "re-proposes the CDBG Reform Act, which adopts an improved formula to better target funds to communities with the greatest economic need and holds communities accountable for results." The budget adds that legislation implementing these reforms will be transmitted to Congress in early 2008.

Congress has not acted on previous budget requests to revise the CDBG program's distribution formula. This is the fourth consecutive budget request containing a proposal to overhaul the program.

The budget rescinds \$179.8 million from the FY2008 appropriations for Economic Development Initiative (EDI) grants and \$25.9 million from neighborhood initiatives. Both accounts consist almost exclusively of congressional earmark priority projects.

Similar to last year's budget proposal, funding for HUD's Brownfields Economic Development Initiative (BEDI), Community Development Loan Guarantee program (Section 108) and Rural Housing and Economic Development program are slated for elimination.

The HOME Investment Partnership program is provided with \$1.9 billion, an increase of \$212 million. Of this amount, \$9.9 million is for technical assistance. An additional \$50 million is provided for the American Dream Downpayment Act within the HOME program, an increase of \$40 million.

An increase of \$50 million is provided for Homeless Assistance Grants, bringing total funding to \$1.6

billion. The majority of the funding is to be available through fiscal year 2011. Of the funds provided, \$25 million is set aside for a demonstration program for the rapid re-housing of homeless families.

The Revitalization of Severely Distressed Public Housing program (HOPE VI) is again slated for elimination in the President's budget. The program is currently funded at \$100 million. As in previous years, the administration justifies the elimination by arguing that the program "has completed its goal of contributing to the demolition of 100,000 severely distressed public housing units." In January, the House adopted legislation (HR

3524) reauthorizing the HOPE VI program for eight years.

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INTERIOR DEPARTMENT

The Payments in Lieu of Taxes (PILT) program is recommended at \$195 million, down from \$232.5 million. The Historic Preservation Fund receives \$66.6 million, nearly \$5 million under current funding. The total includes \$410 million for the President's Preserve America program, which provides grants to state and local governments for projects that preserve historic resources through tourism initiatives.

DEPARTMENT OF JUSTICE

The request provides \$23.7 billion for the Department of Justice (DOJ), a three percent decrease from fiscal 2008. This includes \$20.3 billion in discretionary spending, 10.7 percent less than fiscal 2008.

For state and local law enforcement, the administration is proposing \$404 million for three new discretionary grant programs: the Violent Crime Reduction Partnership Initiative, the Byrne Public Safety and Protection Program and the Community Policing Development program. Grant assistance under these programs will focus on violent crime, technical assistance, information sharing and illegal drugs.

This proposal eliminates 29 separate State and Local Law Enforcement assistance programs and results in a proposed overall funding reduction of more than \$1.2 billion. Eliminated programs include the Edward Byrne Memorial Justice Assistance Grant program, Local Law Enforcement Block Grants, Drug Court funding, the Weed and Seed Program and the COPS bullet proof vest, offender reentry and hiring programs.

The budget includes a cancellation of \$100 million in unobligated balances from the COPS program and a

permanent cancellation of the same amount from the Office of Justice Programs.

For Juvenile Justice Programs, the administration is requesting \$185 million for a new Child Safety and Juvenile Justice Program, consolidating 11 existing programs into one competitive discretionary grant. This is \$198.5 million less than current juvenile justice program funding. Stand alone funding for the Juvenile Accountability Incentive Block Grant is eliminated.

DEPARTMENT OF LABOR: WORKFORCE DEVELOPMENT

President Bush has again proposed to overhaul and cut spending for a number of federal job training programs. The request allocates \$53.1 billion in total funding for the Department of Labor (DOL), \$10.5 billion of which would be discretionary, \$900 million less than fiscal 2008 discretionary spending.

The budget cuts Workforce Investment Act (WIA) funding from \$3.6 billion to just over \$3 billion, a

reduction of \$547 million. Included in this are reductions for adult employment and training activities (-\$152 million), youth activities (-\$100 million) and dislocated workers (-\$246 million). The budget includes a proposal to reform WIA programs by establishing individual Career

Advancement Accounts

(CAAs). The proposal would consolidate adult, dislocated worker, youth activities, Employment Service State grants and Work Opportunity Tax Credit programs into a single \$2.8 billion state block grant.

Under the proposal, up to \$3,000 a year (\$6,000 over two years) would be available through One-Stop Career Centers for adults or out-of-school youth entering or re-entering the workforce that are in need of new skills to remain employed or move-up the career ladder. States will be required to provide a 20 percent match.

The budget cuts Workforce Investment Act (WIA) funding from \$3.6 billion to just over \$3 billion, a reduction of \$547 million.

This is the third year the administration has sought to rewrite workforce programs. Congress has yet to act on the President's proposal.

Funding for the Ex-Offender Reintegration program, which combines the Prisoner Re-Entry Initiative and the Responsible

Reintegration Young Offenders into a single program, is reduced by \$34 million to \$39.6 million in fiscal 2009.

Fiscal 2009 funding for Job Corps falls \$62.1 million to \$1.5 billion. Beginning in fiscal 2008, Job Corps program and administrative funding were permanently transferred to the Office of Jobs Corps within the Office of the Secretary. The administration is proposing to transfer the program back to the Employment and Training Administration (ETA) to "better to coordinate the program with other employment and training programs that ETA oversees."

The Community Service Employment for Older Americans program is provided with \$350 million, \$180.9 million less than current funding. The budget also includes language claiming the "program was deemed 'Ineffective' by a Performance Assessment Rating Tool assessment, due to inadequate competition in the grants process, lack of data on program performance and impact, and duplication with other Federal programs...In program year 2006, the program fell short of its targets for placement in employment."

SMALL BUSINESS ADMINISTRATION

The Small Business Administration is provided with \$663 million in budget authority, an increase of 17 percent over the FY2008 level.

The budget supports a program level of \$17.5 billion for the 7(a) general loan program, \$7.5 billion for the 504 Certified Development Company program and \$3

billion in venture capital support under the Small Business Investment Company (SBIC) program, equal to current support. The 7(a) and 504 programs continue to operate without subsidies and are sustained solely through fees paid by lenders and borrowers.

The Federal-Aid Highway Account is proposed at \$39.4 billion, roughly \$1.8 billion under the authorized obligation limit set in SAFETEA-LU.

The Small Business Development Center program is cut by \$10 million to \$87 million. Funding is eliminated for the Microloan, Microloan Technical Assistance and PRIME programs. However, the budget request "proposes to build

upon the success of the zero-subsidy 7(a) program by making the Microloan program self-financing through modest increases to the interest paid by program intermediaries." This shift would generate a program level of \$25 million for FY2009. Congress has rejected this policy changes and budget cuts in recent years.

DEPARTMENT OF TRANSPORTATION

The budget provides total funding of \$57.1 billion for the Department of Transportation, roughly 10 percent under the current level.

The budget proposal now estimates that the Highway Account of the Highway Trust Fund will face a deficit of \$3.3 billion by the end of FY2009. The estimate is down from the \$4.3 billion estimate of August 2007. According to the American Association of State Highway and Transportation Officials (AASHTO), the shortfall would represent a potential program reduction of \$12 billion, unless action is taken to shore up the trust fund.

As a result of the projected deficit in the Highway Trust Fund, Federal Highway Administration (FHWA) funding is reduced below the levels established in SAFETEA-LU. Federal-Aid Highways are provided \$39.4 billion, 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 budget proposal now estimates that the Highway Account of the Highway Trust Fund will face a deficit of \$3.3 billion by the end of FY2009.

In addition, the administration allows the Secretary of Treasury to transfer funds from the Mass Transit Account of the Highway Trust Fund to cover shortfalls in the Highway Account. The transfers would be considered no-interest loans.

The budget proposes \$175 million for the National Strategy to Reduce Congestion, a new initiative of the administration to reduce traffic and commute times across the nation. Of the funds provided, \$100 million is for metropolitan area congestion reduction demonstration initiatives and \$75 million is to support the Corridors of the Future program. Funds for the program are redirected from unobligated project balances authorized in the 1991 ISTEA and 1998 TEA-21 laws.

The budget cancels a total of \$3.15 billion in unobligated balances of apportioned contract authority and an additional \$735 million from unobligated High Priority Project balances.

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.

Within the Federal Aviation Administration (FAA), the budget provides \$2.75 billion for the Airport Improvement Program (AIP), a cut of \$750 million.

The Essential Air Service (EAS) program is provided \$50 million, a reduction of \$75 million. The budget again proposes a local cost share requirement for communities receiving EAS support. Congress has blocked all previous administration attempts to require communities to provide a local match. Funding for the Small Community Air Service Development program, currently at \$10 million, is eliminated. Funding for the Federal Transit Administration (FTA) Formula and Bus Grant is increased \$1.8 billion to \$8.67 billion and Non-urbanized Area Formula funding increases from \$506.5 million to \$538.1 million. This includes \$9.3 million for the Rural Transit Assistance Program (RTAP), \$8.8 million for the Over-the-Road Bus Accessibility program and \$51.5 million for the Clean Fuels Grant program.

REGIONAL COMMISSIONS

APPALACHIAN REGIONAL COMMISSION

The Appalachian Regional Commission's (ARC) non-highway programs are provided \$65 million, \$8 million under FY2008 spending. Of the funds proposed, \$53.9 million is for area development (a decline of \$7.4 million), \$5.3 million is for local development districts (a reduction of \$684,000) and \$5.7 million is for salaries and expenses (an increase of \$130,000).

DELTA REGIONAL AUTHORITY

The administration recommends \$6 million for the Delta Regional Authority (DRA), \$5.7 million less than current funding. The budget indicates that DRA will focus on multi-state planning and facilitation of regional investments. The budget also makes note of the fact that the DRA has begun to collect "actual" results from mature projects and is beginning to develop outcome-based performance measures.

DENALI COMMISSION

Core funding for the Denali Commission in Alaska is cut \$20 million to \$1.8 million. In the past, Congress has not been receptive to this deep cut and has generally voted to restore funding.

**NADO News Special Report:
President's FY2009 Budget Blueprint**

(Numbers indicate program level in millions of dollars unless specified)	FY2003 Final	FY2004 Final	FY2005 Final (1)	FY 2006 Final (2)	FY 2007 Final (3)	FY 2008 Final	FY2009 President's Request
Department of Agriculture (4)							
Rural Community Advancement Program (5)	907.73	757.42	716.05	701.94	701.94	0.00	0.00
USDA Rural Utilities Service							
Rural Electric & Telecommunications Loans (Program Level)	5,566.13	5,605.00	4,840.00	6,094.00	6,094.00	7,800.00	4,100.00
Rural Telephone Bank	174.61	173.50	175.00	2.50	2.50	0.00	0.00
Distance Learning & Telemedicine Grants	48.81	39.00	35.00	30.00	30.00	35.00	20.00
Distance Learning and Telemedicine Direct Loans	80.00	300.00	50.00	25.00	25.00	0.00	0.00
Broadband Direct Loans	0.00	602.00	550.00	500.00	500.00	300.00	298.00
Broadband Telecommunications Grants	10.00	9.00	9.00	9.00	9.00	13.50	0.00
High energy costs	30.00	28.00	28.00	26.00	20.00	20.00	0.00
Water and Waste Disposal Program (Direct Loans) (5)	n/a	895.00	921.00	990.00	1,097.00	1,022.00	1,304.00
Water and Waste Disposal Program (Guaranteed Loans) (5)	n/a	41.00	3.00	75.00	28.00	75.00	75.00
Water and Waste Disposal Program (Grants) (5)	n/a	567.00	470.00	452.00	455.00	469.00	220.00
Former RCAP-Earmarks/Set-asides:							
Economic Impact Initiative Grants	25.00	25.00	21.00	18.00	18.00	14.00	0.00
Colonias	25.00	25.00	25.00	25.00	25.00	25.00	10.00
Water & Sewer Technical Assistance	18.33	17.73	18.30	18.25	18.25	18.50	10.00
Alaska	30.00	28.00	26.00	25.00	25.00	25.00	0.00
Circuit Rider	12.10	13.00	13.50	13.75	13.75	13.75	13.00
Delta	2.00	1.75	1.00	2.00	2.00	3.00	0.00
EZ/EC and REAP Zones	37.62	22.13	22.16	21.37	0.00	21.70	6.00
Rural Community Development Initiative	7.00	6.00	6.30	6.35	6.35	6.30	0.00
Northern Great Plains Regional Authority	0.00	1.50	1.49	0.00	0.00	0.00	0.00
USDA Rural Housing Service							
Loans:							
Section 502 - Single Family Housing	5,572.00	4,091.63	4,459.30	4,821.83	4,821.83	5,349.00	4,849.00
Section 504 - Housing Repair	35.00	35.00	35.00	35.00	35.00	34.00	17.70
Section 515 - Rental Housing	115.80	116.55	100.00	100.00	100.00	70.00	0.00
Section 523 - Self-Help Housing Land Development	4.98	2.40	10.00	5.04	5.04	5.00	0.00
Section 524 - Site Loans	5.01	5.04	5.05	5.00	5.00	5.00	5.05
Section 538 - Multi-family Housing	100.00	100.00	100.00	100.00	100.00	130.00	300.00
Grants:							
Rental Assistance Program	726.00	584.00	592.00	653.10	616.02	482.00	997.00
Mutual and Self-Help Housing Grants	35.00	34.00	34.00	34.00	34.00	39.00	0.00
Rural Housing Assistance Grants	42.49	46.22	44.00	43.98	43.98	39.00	43.50
Rural Housing Vouchers	0.00	0.00	0.00	16.00	16.00	5.00	0.00
Community Facility Program (Direct Loans) (5)	n/a	500.00	426.00	300.00	333.00	294.00	302.00
Community Facility Program (Guaranteed Loans) (5)	n/a	205.00	195.00	210.00	228.00	206.00	210.00
Community Facility Program (Grants) (5)	n/a	18.00	20.00	17.00	48.00	45.00	0.00
USDA Rural Business-Cooperative Service							
Intermediary Relending Program	40.00	40.00	34.21	34.21	34.21	33.78	33.78
Business and Industry Loans	894.15	552.00	595.20	923.00	923.00	1,043.00	700.00
Rural Economic Development Loan Account	14.96	15.00	25.00	25.03	25.03	33.10	0.00
Rural Business Enterprise Grants	46.68	48.00	39.68	40.00	40.00	39.00	0.00
Rural Cooperative Development Grants	9.00	24.00	24.00	29.49	26.72	28.02	4.46
Rural Business Opportunity Grants	2.98	3.00	3.00	3.00	3.00	2.50	0.00
Rural EZ/EC Round II Grants	14.96	12.67	12.50	11.20	11.20	8.20	0.00
Renewable Energy Grants (Discretionary & Mandatory)	n/a	23.00	23.00	23.00	23.00	36.00	0.00
Value-added Ag Product Market Grants		31.00	13.00	19.00	23.00	19.00	0.00

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(Numbers indicate program level in millions of dollars unless specified)	FY2003 Final	FY2004 Final	FY2005 Final (1)	FY 2006 Final (2)	FY 2007 Final (3)	FY 2008 Final	FY2009 President's Request
Homeland Security							
State and Local Programs							
Urban Area Security Initiative (UASI)(16)	700.00	725.00	885.00	765.00	770.00	820.00	825.00
State and Local Formula Grants (SHSGP)(16)	2,335.88	1,700.00	1,100.00	550.00	525.00	950.00	200.00
Local Law Enforcement Terrorism Prevention Grants(16)	0.00	500.00	400.00	400.00	375.00	0.00	0.00
Citizen Corps	0.00	40.00	15.00	20.00	15.00	15.00	15.00
Emergency Management Performance Grants	0.00	180.00	180.00	185.00	200.00	300.00	200.00
Firefighters Assistance Grants	750.00	750.00	715.00	655.00	662.00	750.00	300.00
National Exercise Program	0.00	0.00	0.00	0.00	49.00	50.00	40.00
Mitigation Programs							
Disaster Relief	800.00	1,800.00	2,042.38	1,700.00	1,500.00	1,400.00	1,900.00
Pre-Disaster Mitigation	150.00	150.00	100.00	50.00	100.00	114.00	75.00
Flood Map Modernization Fund	150.00	252.00	200.00	200.00	199.00	220.00	150.00
Department of Housing and Urban Development							
Community Development Fund	4,937.00	4,950.00	4,709.00	4,220.00	3,771.90	3,900.00	3,000.00
Community Dev. Block Grant (CDBG) Formula	4,367.00	4,356.55	4,150.03	3,748.40	3,710.91	3,600.00	2,930.00
CDBG Set-Asides:							
Native American	71.00	72.00	69.00	60.00	60.00	62.00	57.00
Section 107 - Special Purpose Grants	49.10	52.00	43.70	20.60	20.60	25.90	5.00
Economic Development Initiative	261.00	278.00	262.00	310.00	0.00	179.83	-179.83
Housing Assistance Council	3.30	3.30	3.30	3.00	3.00	0.00	0.00
YouthBuild	60.00	65.00	62.00	50.00	0.00	0.00	0.00
Self-Help Homeownership	25.25	27.00	25.00	61.00	19.80	26.50	40.00
Brownfields Economic Development Initiative (BEDI)	25.00	25.00	24.00	10.00	10.00	10.00	0.00
HOME Investment Partnerships Program	2,000.00	2,017.00	1,865.00	1,750.00	1,750.00	1,700.00	1,967.00
HOME- Housing Counseling Assistance	40.00	40.00	42.00	42.00	42.00	50.00	65.00 (17)
American Dream Downpayment Fund	75.00	87.50	50.00	25.00	25.00	10.00	50.00
Urban Empowerment Zones & Enterprise Communities	30.00	15.00	10.00	0.00	0.00	0.00	0.00
Rural Housing and Economic Development	25.00	25.00	24.00	17.00	17.00	17.00	0.00
Public Housing Revitalization (HOPE VI)	570.00	149.00	144.00	99.00	99.00	100.00	0.00
Homeless Assistance Grants	1,217.00	1,260.00	1,241.00	1,327.00	1,441.60	1,585.00	1,636.00
Department of Interior (12)							
Payments in Lieu of Taxes (18)	220.00	227.50	230.00	236.00	236.00	232.50	195.00
Department of Labor (14)							
Employment and Training Administration (Services Only)	5,159.24	5,149.87	5,318.06	4,940.50	5,134.54	5,115.66	4,675.29
Career Advancement Accounts (19)	0.00	0.00	0.00	0.00	0.00	0.00	2,826.00
Adult Employment and Training Activities	900.00	900.00	898.00	866.00	866.00	864.20	0.00
Dislocated Worker Employment and Training	1,463.77	1,456.76	1,479.00	1,476.00	1,476.00	1,189.00	0.00
Youth Activities	994.46	1,000.96	994.00	950.00	950.00	940.50	0.00
Job Corps	1,518.55	1,546.21	1,559.00	1,559.00	1,559.00	1,630.00	1,564.69
Community Service Employment for Older Americans	445.20	441.25	440.20	432.30	483.61	530.09	350.00
One-Stop Career Centers (19)	99.35	99.35	98.76	82.00	82.00	82.00	0.00
Prisoner Re-entry Initiative & Reintegration of Ex-Offenders	0.00	0.00	20.00	0.00	0.00	74.80	39.60
Community-Based Job Training Grants (Community College)	0.00	0.00	250.00	125.00	125.00	125.00	125.00
Youthbuild (20)	0.00	0.00	0.00	0.00	0.00	60.00	50.00
National Programs	90.92	79.60	103.50	46.41	27.97	61.08	25.00

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Small Business Administration							
Section 504 Development Company Debentures	4,500.00	4,500.00	5,000.00	7,500.00	7,500.00	7,500.00	7,500.00
7(a) General Business Loans	10,000.00	9,550.00	16,500.00	17,000.00	17,000.00	17,500.00	17,500.00
Small Business Investment Company Program Debentures	3,000.00	3,000.00	3,250.00	3,000.00	3,000.00	3,000.00	3,000.00
Small Business Development Centers (SBDC)	89.00	89.00	89.00	89.00	89.00	97.12	87.00
Microloan Technical Assistance	15.00	15.00	14.00	13.00	13.00	15.00	0.00
Microloan Program	29.00	20.00	15.00	22.00	22.00	17.00	0.00
HUBZones	2.00	2.00	1.97	2.00	2.00	2.10	n/a
Program for Investment in Microentrepreneurs (PRIME)	5.00	5.00	5.00	2.00	2.00	3.00	0.00
Department of Transportation							
Federal Aviation Administration							
Airport Improvement Program	3,400.00	3,400.00	3,500.00	3,550.00	3,550.00	3,500.00	2,750.00
Small Community Air Service Development Program	20.00	20.00	20.00	10.00	10.00	10.00	0.00
Essential Air Service	113.00	102.00	102.00	110.00	110.00	125.00	50.00
Federal Transit Administration							
Section 5311 - Nonurbanized Area Formula	239.40	239.40	252.90	372.24	438.00	506.50	538.10
Section 5311(b)(2) - Rural Transit Assistance Program	5.25	5.25	5.20	7.76	8.08	8.76	9.30
Job Access and Reverse Commute Grants	150.00	125.00	125.00	138.00	144.00	156.00	164.50
Over-the-Road Bus Accessibility Incentive Program	6.95	11.00	6.95	6.89	7.60	8.30	8.80
Federal Highway Administration							
Federal-Aid Highways (21)	31,800.00	33,843.00	34,700.00	36,000.00	38,244.00	40,200.00	39,398.00
Highway Safety Improvement Program (22)	0.00	0.00	0.00	1,236.00	1,256.00	1,276.00	1,296.50
High Risk Rural Roads (23)	0.00	0.00	0.00	90.00	90.00	90.00	90.00
Rail-Highway Crossing Program (23)	0.00	0.00	0.00	220.00	220.00	220.00	220.00

Notes: Numbers indicate program level in millions of dollars unless specified.

- 1 Final FY2005 funding does not reflect across-the-board reduction of 0.83 percent
- 2 Final FY2006 funding does not reflect across-the-board reduction of one percent and extra cuts for SSJC and Interior and EPA programs
- 3 Final FY2007 funding does not reflect across-the-board reduction of one percent and extra cuts for SSJC and Interior and EPA programs
- 4 FY 2008 funding does not reflect across-the-board reduction of 0.7 percent for Agriculture appropriation accounts
- 5 FY2008 appropriations eliminates stand-alone RCAP account. Transfers funding streams and programs to RHS, RUS and RBS
- 6 Approximately \$470 million is provided each year by SAFETEA-LU
- 7 SAFETEA-LU provides \$10 million in annual funding for the development of Delta region transportation program
- 8 SAFETEA-LU provides \$500,000 each year in FYs 2005-2006 for a Delta regional transportation study
- 9 Denali Commission figure is direct appropriations only. It does not include earmarks within other federal programs and trust fund revenue.
- 10 FY2006 & FY2007 funding does not include 0.28 percent rescission in Commerce spending bill.
- 11 EDA reauthorization law mandates a minimum planning level of \$27 million
- 12 FY 2008 funding does not reflect an across-the-board cut of 1.56 percent for Interior & Environment appropriations accounts
- 13 Combined funding from three separate accounts in EPA
- 14 FY 2008 funding does not reflect across-the-board reduction of 1.75 percent for Labor & HHS appropriations accounts
- 15 FY2006 & FY2007 actual includes \$183 million for Emergency Contingency Fund
- 16 Separate funding for LLETP eliminated. States now required to reserve 25 percent of SHSGP and UASI funds for terrorism activities
- 17 FY2009 request establishes as a stand-alone program not set-aside w/i HOME program
- 18 FY2006 & FY2007 funding does not include 0.48 percent rescission
- 19 Administration proposal to consolidate workforce program for FY2009. One-Stops funded under Career Advancement Account proposal
- 20 Program transferred to DOL from HUD
- 21 Funding for highway programs is distributed on overall federal-aid obligation limitation, as authorized by SAFETEA-LU. Levels are only estimates. SAFETEA-LU allows automatic increases if additional revenue is generated in highway trust fund.
Maintains six major program categories of Interstate Maintenance, National Highway System, Surface Transportation Program, Bridge Replacement and Rehabilitation Program, Congestion Mitigation and Air Quality Improvement Program and Safety.
- 22 New core stand-alone program authorized by SAFETEA-LU
- 23 Set-aside program within new core safety program.