



NATIONAL ASSOCIATION OF
DEVELOPMENT ORGANIZATIONS

OVERVIEW of PRESIDENT'S
FY2006 BUDGET

**Analysis and Insights
into the Bush
Administration's FY2006
Budget Blueprint**

Released February 11, 2005



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Big Picture Overview

- **\$2.57 Trillion Spending Package for FY2006**
- **Projects a \$390 Billion Deficit for 2006, Nearly \$100 Billion Below Record Deficit of \$490 Billion in FY2005**
- **Projected Deficit Equals Annual Budget for All Domestic Discretionary Programs**



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Big Picture Overview

- **President's Budget Does NOT Include 2006 War Costs for Iraq and Afghanistan – Which Are Approaching \$336 Billion Since 9/11.**
- **President Plans to Permanently Extend Most Tax Provisions Enacted in 2001 and 2003 – At a Projected 5- Year Cost of \$53 Billion and 10-Year Cost of \$1.13 Trillion**



Mandatory Spending Programs

- Account for Nearly 55 Percent of the Federal Budget – Up From Only One-Third in the Early 1960s.
- Of the \$1.41 Trillion in Mandatory Spending:
 - Social Security = 21 Percent
 - Medicare = 13.3 Percent
 - Medicaid = 7.5 Percent
 - Ag Payments, Food Stamps & Other = 13.1 Percent



- Medicare Projected to Increase Between \$720 Billion to \$1.2 Trillion in Next 10 Years – As a Result of New Prescription Drug Benefit
- Medicaid Growth Would Be Curbed with Increased State Flexibility – Resulting in Net Federal Savings of \$47 Billion Over 10 Years
- Agriculture Subsidies Are Cut by \$8.2 Billion



Domestic Discretionary Spending

- One-Third of the Federal Budget Controlled by the House and Senate Appropriations Committees – Increases 2.1 Percent from 2005 levels.
 - 2005 Enacted Level: \$821.9 Billion
 - 2006 Budget Projection: \$840.3 Billion



Defense & Military Programs

- **Increases 4.8 Percent from 2005 Levels**
- **Increased 41 Percent During the Bush Administration, According to White House**
- **2006 Budget Does NOT Include Costs for Wars in Iraq and Afghanistan**



Homeland Security Category

- **Increased \$1 Billion or Almost 3 Percent**
- **Primary Focus on Targeting First Responder Money to "High Threat" Areas**
- **Aviation Security Budget Funded Through Doubling of 9/11 Passenger Security Fees**



- **Domestic Assistance Programs Are Cut By Almost One Percent – The First Proposed Net Decrease in Domestic Programs Since the Reagan Administration**
 - ✓ **150 Federal Programs Are Eliminated or Reduced – 2006 Cost Savings of \$20 Billion (Includes 48 Education Programs)**
 - ✓ **Potential Cuts of Additional \$196 Billion in Years 2007 through 2010, According to CBPP.org**



Community & Regional Development Category

- ✓ **Overall Funding Reduced From \$17.1 Billion in 2005 to \$9.4 Billion in 2006**
- ✓ **Eliminates 18 Federal Community and Economic Development Programs Worth \$5.5 Billion, While Creating New US Dept. of Commerce Program at \$3.71 Billion**



Economic Development Challenge Program

- ✓ **Eliminates 18 Community & Economic Development Programs Worth \$5.5 Billion**
- Including:
 - Economic Development Administration (EDA)
 - HUD Community Development Block Grants (CDBG)
 - HUD Brownfields and Rural Economic Development
 - HHS Community Services Block Grants (CSBG)
 - Treasury's Community Development Financial Institutions (CDFI) Program
 - USDA RBEG, RBOG & EZ/EC Programs



Economic Development Challenge Program

- ✓ **Creates New Unified Grant Program at \$3.7 Billion, Cut of \$2 billion Overall**
- ✓ **Focuses on Job Creation and Business Formation in Distressed & Low-Income Areas**
- ✓ **Funding Distributed to States, Locals & National Competitive Bonus Incentive Program**



**Economic Development Challenge Program:
Two-Part Funding Stream**

- 1. **Formula Grants to States & Local Communities**
- 2. **Bonus Program for Communities That Have Taken Steps to Improve Economic Conditions By:**
 - Meeting *No Child Left Behind* Progress Goals
 - Reducing Regulatory Barriers to Business Creation and Housing Development
 - Reducing Violent Crime Rates within the Community



Economic Development Challenge Program

- ✓ **Potential Grantee Performance Criteria**
 - Increased Jobs & New Business Formation
 - Increased Homeownership
 - Commercial Development
 - Private Sector Investment
- ✓ **Eligibility Based on Job Loss, Unemployment Levels and Poverty**



Economic Development Challenge Program

- ✓ **Key Points to Remember**
 - President Will Unveil Proposal Details in Early Summer
 - Proposal Would Result in Elimination of EDA and the EDA District Planning Program
 - Proposal Would Result in Elimination of the Current HUD CDBG Program
 - No Details on Funding Set-Asides for States vs Locals vs Bonus Program or Breakdown for Urban vs Rural
 - Program Focuses Almost Exclusively on Job Creation, with Minor Emphasis on Community Development and Community Quality of Life Improvement Activities



Transportation – Highways and Transit

- ✓ **President Increases Commitment to \$284 Billion Over Next Six Years, Up From \$253 Billion**
- ✓ **\$34.7 Billion for Highways in 2006, With Modest Increases until 2008, and \$6 Billion Jump in 2009**
- ✓ **\$7.8 Billion for Transit Programs in 2006**
- ✓ **Question of the Day: Is It Enough to Complete the TEA-21 Reauthorization Process?**



Transportation – Aviation & Amtrak

- ✓ **Cuts Airport Improvement Grants By \$500 Million to \$2.9 Billion**
- ✓ **Reduces the Essential Air Service Program to \$50 Million, Down From \$102 Million**
- ✓ **Eliminates \$20 Million Small Community Air Service Grant Program**
- ✓ **Eliminates Regular Funding for Amtrak, With \$360 Million Reserved for Northeast Corridor**



Homeland Security

- ✓ **Overall First Responder Support for Terrorism Prevention is Down \$420 Million to \$3.56 Billion**
- ✓ **State Homeland Security Grants (Including Funding for Local Governments) Falls From \$1.1 Billion to \$820 Million**
- ✓ **Targets Money to States, Regions and Areas Deemed as "High-Risk" – Replaces State Formula of 0.75 Percent of Total Funding Based on Per Capita to 0.25 Percent Formula; Rest on Risk**



Homeland Security

- ✓ **Urban Area Security Initiative – Funding for the Cities at Highest Risk of Attack – Is Reduced from \$885 Million to \$820 Million (50 Cities in 2005)**
- ✓ **Replaces Independent Existing Programs with a New Consolidated \$600 Million State & Local Program for Targeted Infrastructure Protection**
- ✓ **Firefighter Grants - \$500 Million, down from \$715 Million in 2005**
- ✓ **Increase 9/11 Passenger Security Fees to Fund \$4.5 Billion Airport Screening Operations**



Federal Emergency Management Agency (Emergency Preparedness & Response)

- ✓ **Pre-Disaster Mitigation (Competitive Grants) -- \$150 Million Budget, Increase of \$50 Million**
- ✓ **Flood Map Modernization**
 - \$200 Million Budget Requested, Same as 2005
 - In 2005, FEMA Is Establishing Agreements and Awarding \$40 Million to State, Regional and Local Partners (Through the Cooperating Technical Partnership Program)



Environmental Protection Agency

- ✓ **Brownfields Programs – Total of \$210 Million, An Increase of \$45 Million from 2005**
- ✓ **Safe Drinking Water SRF Level at \$850 Million**
- ✓ **Clean Drinking Water SRF Cut to \$730 Million from \$1.03 Billion in 2005**
- ✓ **New \$23 Million Performance Fund for States & Tribes to Improve Public Health & Environment**



USDA Rural Development

- ✓ **Rural Community Advancement Program**
 - The Core Rural Development Account with Funds for Water / Waste Disposal, Business Development & Community Facilities
 - Cuts Water Infrastructure Grants By \$77 Million from 2005 (and \$190 Million since 2004) to \$377 Million
 - Retains Loans for Community Facilities; Cuts Grants by \$7 Million
 - Increases Business & Industry Guaranteed Loan Program from \$595 Million to \$899 Million (2004 Program Level was \$971 Million)
 - Eliminates Funding For:
 - Rural Community Development Initiative Grants (\$6 Million)
 - Economic Impact Initiative Grants (\$18 Million)
 - High Energy Cost Grants (\$28 Million)
 - Rural Business Opportunity Grants (\$3 Million)
 - Rural Business Enterprise Grants (\$40 Million)



USDA Rural Development

- ✓ **Intermediary Relending Program (IRP)**
 - Retained at 2005 Level of \$34 Million, but Down from \$40 Million Program Level in 2004
- ✓ **Rural Housing Program Changes**
 - Increases Rental Assistance Grants \$63 Million to \$650 Million
 - Shifts Allocations within Single Family Loans (Sec. 502)
 - Cuts Multi-Family Direct Loans by \$72 Million to \$27 Million
 - Increases Multi-Family Guaranteed Loans From \$99 Million to \$200 Million
 - Proposes \$214 Million for New Multi-Family Housing Revitalization Vouchers



USDA Rural Development

- ✓ **Rescinds Mandatory Funding for New Rural Development Programs Created in 2002 Farm Bill**
 - Rural Strategic Investment Program (\$100 Million)
 - Value-added Ag Product Development (\$240 Million)
 - Broadband Loans and Grants (\$100 Million)
 - Rural Business Investment Program (\$100 Million)
 - Rural Fire & Emergency Personnel Grants (\$50 Million)

* Figures are six-year totals included in 2002 farm bill for FY2002-2007



Housing and Urban Development

- ✓ Eliminates CDBG, Brownfields & Rural Housing and Economic Development Programs
- ✓ Provides \$1.94 Billion for HOME Program, with \$200 Million Reserved for the President's Downpayment Initiative (Increase of \$150 Million from 2005)
- ✓ Section 8 Housing Assistance:
 - Tenant-Based Assistance Increase from \$10.6 Billion to \$15.84 Billion
 - Project-Based Assistance Reduced from \$5.29 Billion to \$5.07 Billion
- ✓ Increase of \$200 Million for Homeless Assistance, Including \$25 Million for Prisoner Re-Entry Pilot



Small Business Administration

- ✓ Increases Loan Level for the 7(a) Program to \$16.5 Billion, Almost 30 Percent Above 2004 (This Is Accomplished with a Zero Subsidy)
- ✓ Increases the Loan Level for the 504 Program By \$500 Million to \$5.5 Billion
- ✓ Eliminates Microloan Program, along with Grant Funding for the Microloan Technical Assistance, PRIME & 7(j) Technical Assistance Programs



HHS: Social Services and Aging Programs

- ✓ Social Services Block Grant – Stays at \$1.7 Billion
- ✓ Head Start
 - \$6.89 Billion, About \$10 Million Increase from 2005
 - \$45 Million for 9 State Pilot for Early Childhood Program
- ✓ Aging Services – \$1.37 billion, Cuts \$24 Million from Performance Innovation Program & White House Conference
- ✓ Eliminated
 - Community Services Block Grant (CSBG)
 - Rural Community Facilities
 - Urban and Rural Community Economic Development



Workforce Development

- ✓ **Proposes to Consolidate Four Core Job Training Programs into a New Unified Block Grant Program**
 - **Adult Employment, Dislocated Work & Youth, Along with Employment Service State Grants**
- ✓ **Current Funding for Programs Equals \$4.2 Billion, Compared with \$3.9 Billion in New Account**
- ✓ **Features \$250 Million for Community College Workforce Training Initiative and \$35 Million for Prisoner Re-Entry Initiative**



Regional Commissions

- ✓ **Appalachian Regional Commission Maintained at \$65.4 Million, Including Level Funding for Local Development Districts**
- ✓ **Delta Regional Authority Remains at \$6 Million**
- ✓ **Denali Commission's Regular Programs Cut to \$2.5 Million from \$67 Million in 2005**
- ✓ **No Funding Recommended for Northern Great Plains Regional Authority**



Miscellaneous Programs

- ✓ **Interior's Payment in Lieu of Taxes**
 - Requested at \$200 Million, Down From \$230 Million
- ✓ **Justice Department**
 - Consolidates Programs (Including Local Law Enforcement Block Grant, Edward Byrne Memorial Assistance Grants and COPS Hiring Program) into a New Justice Assistance Account Funded at \$1.12 Billion
 - Terminates the Juvenile Assistance Accountability Block Grant (\$54 Million) and the State Criminal Alien Assistance Program (\$301 Million)
- ✓ **Treasury's CDFI Program-- Eliminated**



Proposed Federal Budget Reforms

- ✓ **Requesting Line Item Veto Authority,
Expected to Comply with Supreme Court Ruling**

- ✓ **Proposes the Creation of a Sunset Commission
to Review Federal Agencies & Programs**

- ✓ **Recommending the Adoption
of a Biennial Budget and Spending Caps on
Domestic Discretionary Spending**
