

NORTHEAST–MIDWEST INSTITUTE



A NOTE TO THE COALITIONS

THE PRESIDENT'S FY2016 BUDGET AND THE NORTHEAST–MIDWEST REGION

The President's FY2016 Budget Request is titled "Middle Class Economics," indicating the Administration's focus on anchors of economic security for working families: child care, education, health care, homeownership, and retirement. As in the nation, the region's middle class is struggling to recover from the Great Recession; median household incomes in the Northeast and Midwest continue to stagnate and are below pre-recession levels,¹ even as the costs of these anchors rise.²

In line with the Budget's emphasis on economics, the President requests increased spending levels for a range of programs meant to ensure economic stability for the middle class and improve economic mobility for working and poor families by investing in job training, housing, and communities. The Budget also supports environmental protection and restoration, as well as energy and water infrastructure, despite cuts to several programs relevant to the region.

This Northeast-Midwest Institute (NEMWI) *Note to the Coalitions* reviews the President's FY2016 Budget from a regional perspective to assist NEMW public and private stakeholders in advocating collaboratively for shared federal policy priorities.³ Many of the programs covered in this report are longstanding and historically important; others are proposed for FY2016 and potentially beneficial for the region. Regional highlights covered in this report include:

- Discretionary funding for seven new manufacturing innovation institutes in FY2016, plus proposed mandatory funding to complete a network of 45 institutes by FY2024;
- Decreased funding for Low Income Home Energy Assistance Program (LIHEAP) Block Grants, but proposed mandatory funding for LIHEAP contingency funds;
- Substantial increase in funding for the Department of Energy's Office of Electricity Delivery and Energy Reliability;
- Decreased funding for the Great Lakes Restoration Initiative;
- Decreased funding for harbor maintenance and Diesel Emissions Reduction Grants;
- Increased funding for the Drinking Water State Revolving Fund, but decreased funding for the Clean Water State Revolving Fund;
- Decreased funding for Community Development Block Grants, but a new Upward Mobility Project;
- Increased funding for the Environmental Protection Agency's Brownfields Projects, with special attention to communities affected by the retirement of coal-fired plants;
- Additional legislative proposals for trade adjustment assistance, job-driven training, land and water conservation, and transportation.

¹ U.S. Census Bureau Historical Income Tables (1975 – 2013), 2014. Regions as defined by Census Bureau.

² [Center for American Progress](#), 2014.

³ NEMWI tracks appropriations progress for many regionally relevant federal programs [here](#).

Economic and Workforce Development Programs

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees on *Commerce, Justice, Science, and Related Agencies; Energy and Water Development, and Related Agencies; Labor, Health and Human Services, Education, and Related Agencies; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies; and Defense.*

- **National Network for Manufacturing Innovation (NNMI)**

The FY2016 request includes discretionary funding for seven NNMI institutes. The newly-authorized NNMI⁴ supports public-private partnerships among businesses, federal agencies, community colleges, and universities to create regional centers of high tech jobs. Currently, three of five institutes (funded through the Departments of Energy and Defense) are located in the NEMW region (Ohio, Michigan, and Illinois). Three competitions are currently in progress. The President requests \$350 million for ongoing support of existing institutes and to launch seven additional competitions in 2016, funded through four agencies:

- \$140 million to the Department of Commerce to lead its first two institutes, and \$10 million to the National Institute of Standards and Technology for coordination of current and future institute activities;
- \$404 million to the Department of Energy’s (DOE) Advanced Manufacturing Office, a request that includes (among other activities) full support for two new clean energy institutes and continued support of four existing institutes;
- \$80 million for two new U.S. Department of Agriculture-led institutes funded through the National Institute of Food and Agriculture;
- \$137 million to the Department of Defense (DOD) for continued support of five existing/developing institutes, as well as the launch of one more.

Legislative Proposal: The budget also calls for an additional \$1.9 billion in mandatory funding to be executed from FY2017 through FY2024 to complete a network of 45 institutes.

- **Building Technologies Program (BTP)**

The President requests a \$92 million increase from FY2015 for the DOE’s Building Technologies Program. This request, along with the proposed increase for the Advanced Manufacturing Office, illustrates the Administration’s support for the importance of new energy technology to advance the nation’s manufacturing sector. Among other activities, the request would increase emphasis on research and development on lighting, heating, and cooling, as well as energy efficiency and advanced materials.

Program	2015	REQ 2016	Change
BTP	\$172	\$264m	53.5%

- **Hollings Manufacturing Extension Partnership (MEP)**

The President requests an increase of \$11 million over FY2015 funding for the Department of Commerce’s MEP, which supports a nationwide network of centers and services working to transform manufacturers for global competitiveness, support greater supply chain integration, and provide access to technology for improved productivity. Twenty-six out of 59 MEP centers are

⁴ Authorized through the bipartisan Revitalize American Manufacturing and Innovation Act that passed as part of the 2015 Omnibus Appropriations Act.

located in the NEMW region – at least one in each NEMW state (Illinois and Wisconsin each have two and Pennsylvania has seven).

Program	2015	REQ 2016	Change
MEP	\$130m	\$141m	8.5%

▪ **Trade Adjustment Assistance for Firms (TAAF) – Department of Commerce**

As in last year’s budget request, the President calls for a slight decrease in funding for the Economic Development Administration’s TAAF program. TAAF provides technical assistance to small and mid-sized businesses for increasing exports and creating jobs. Five of 11 regional TAAF centers serve all NEMW states.

Program	2015	REQ 2016	Change
TAAF	\$12.5m	\$10m	-20%

▪ **Trade Adjustment Assistance (TAA) – Department of Labor**

Legislative Proposal: The FY2016 Budget includes a proposal to reauthorize the TAA program, which provides training opportunities and income support through Trade Readjustment Allowances for workers dislocated from jobs due to international trade. The 2015 Omnibus Appropriations Act only funds the program through September 30, 2015.

▪ **High-Growth Sector Training and Credentialing Grants**

Legislative Proposal: As part of a Job-Driven Training Fund, the President proposes a mandatory \$16 billion over the next 10 years to better connect unemployed individuals with jobs through grants that aim to encourage industry adoption of credentials, double the number of workers receiving training, and provide more intensive services to the long-term unemployed by focusing on high-growth sectors.

Energy Infrastructure, Supply, and Assistance Programs

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees on *Energy and Water Development, and Related Agencies; and Labor, Health and Human Services, Education, and Related Agencies*

- **Low Income Home Energy Assistance Program (LIHEAP)**

The Budget proposes a \$200 million decrease in the Department of Health and Human Services' LIHEAP Block Grants, 58% of which were allocated to NEMW states in FY2015.⁵ In FY2016, states will be required to dedicate at least 10% of their allocations to weatherization and other energy efficiency activities, but will have the flexibility to spend up to 40% of their allocation on energy efficiency if they choose to do so.

Program	2015	REQ 2016	Change
LIHEAP Block Grants	\$3,390m	\$3,190m	-5.9%

The Budget shows notable support for LIHEAP despite the proposed drop in block grant funds; the President proposes a new \$200 million competitive Utility Innovation Fund to test innovative strategies to serve LIHEAP households, including the reduction of energy use and bills. Funds would be awarded to states in support of partnerships between utility companies and local community-based organizations.

Legislative Proposal: Additionally, the President proposes a mandatory LIHEAP Contingency fund of \$1.1 billion for FY016 and \$8.1 billion over 10 years. According to the Budget, contingency funds are “triggered by significant increases in the number of eligible low-income households, the price of fuel, or extreme cold at the beginning of winter.”

- **Weatherization Assistance Program (WAP)**

The President requests an increase of \$35 million for DOE’s WAP, which provides formula grants for energy efficiency improvements in low-income households. The President proposes that \$15 million of this request be used for competitive funding for low-income multi-family units. NEMW states were allocated 58% of WAP funds for FY2015.⁶

Program	2015	REQ 2016	Change
WAP	\$193m	\$228.4m	18.3%

- **State Energy Program (SEP)**

The DOE’s SEP would also experience an increase under the President’s FY2016 Budget. The \$20 million boost from FY2015 would provide greater direct support for cost-shared state clean energy plans, policies and programs, as allocated by governor-designated State Energy Offices. The NEMW region received 41% of SEP formula grant funds in FY2014.⁷

Program	2015	REQ 2016	Change
SEP	\$50m	\$70.1m	40.2%

⁵ NEMWI analysis of Department of Health and Human Services data, 2015. The NEMW region’s 18-state population of 118 million is 37% of nation’s population (U.S. Census Bureau, Population Estimates, 2014).

⁶ NEMWI analysis of DOE data, 2015.

⁷ NEMWI analysis of USASpending.gov data, 2014.

- **Local Energy Program (LEP)**

The President’s Budget requests \$20 million to establish a new Local Energy Program, modeled after SEP and also housed under the larger Weatherization and Intergovernmental Program. LEP would provide support to local governments for energy planning, program development and implementation, analysis, and other related efforts through technical assistance (\$4 million) and competitively awarded grants (\$16 million).

Program	2015	REQ 2016	Change
LEP	n/a	\$20m	n/a

- **Office of Electricity Delivery and Energy Reliability (ED&ER)**

The President requests a substantial increase of \$123 million for the DOE’s Office of Electricity Delivery and Energy Reliability, which focuses on electricity grid modernization and resilience. A portion of this increase, \$63 million, would fund a new program: State Energy Reliability and Assurance Grants. This funding would be divided between grants to states, localities, regions, and tribal entities (for long-term electricity transmission, storage, and distribution reliability planning), and formula grants to states, localities, and tribes (to enhance and/or develop plans to enhance resilience through energy assurance planning and exercises).

Office	2015	REQ 2016	Change
ED&ER	\$147.3m	\$270.1m	83.4%

Aquatic Resource Programs

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees on *Interior, Environment, and Related Agencies*

- **Great Lakes Restoration Initiative (GLRI)**

The President requests \$250 million for the EPA’s GLRI, \$50 million less than the FY2015 appropriated amount and the lowest amount since the program’s inception in FY2010. To date, the GLRI has provided \$1.96 billion to Great Lakes restoration efforts for cleanup of contaminated Areas of Concern, restoration of habitat, nutrient and runoff control, and invasive species prevention and control, among other priorities.

Program	2015	REQ 2016	Change
GLRI	\$300m	\$250m	-16.7%

- **Land and Water Conservation Fund (LWCF)**

The FY2016 budget proposes \$400 million in discretionary funding for the LWCF. The LWCF funds states’ recreation planning and facilities, land acquisition, and water resource protection. It is the main federal program employed to: acquire new lands; preserve private farm, ranch, and forest land; and increase urban park sizes and numbers.

Legislative Proposal: The request includes an additional \$500 million in mandatory funding for FY2016, for a total of \$900 million. Beyond FY2016, the President's proposal provides for \$900 million annually in mandatory funding.

Program	2015	REQ 2016	Change
LWCF (discretionary)	\$306.1m	\$400m	30.7%

- **National Water Quality Program (NWQP)**

The President’s FY2016 Budget includes \$222.9 million for a new initiative: the USGS National Water Quality Program. The program is intended to include the core water-quality monitoring, assessment, and research activities of the former National Water Quality Assessment Program (NAWQA), as well as several other water resource scientific programs, including the National Stream Quality Accounting Network, the Hydrologic Benchmark Network, and the Hydrologic Networks and Analysis Program. The new program would provide data, information, and further understanding related to U.S. freshwater resources, surface and ground water quality, aquatic ecosystems, and the effects of human activities and climate change. Although the NWQP did not exist as a formal program in FY2015, the former programs that now make up the NWQP did exist, and their total appropriated FY2015 funding was \$211.3 million. The President’s funding request for the new NWQP represents an increase of \$11.6 million above that FY2015 total.

Program	2015	REQ 2016	Change
NWQP	n/a	\$222.9m	n/a

Water and Transportation Infrastructure Programs

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees on *Interior, Environment, and Related Agencies; Transportation, Housing and Urban Development, and Related Agencies; and Energy and Water Development, and Related Agencies*

- **Drinking Water and Clean Water State Revolving Funds (SRF)**

The President proposes to cut the EPA’s Drinking Water and Clean Water SRFs by \$54 million from FY2015 enacted levels, though only the Clean Water portion would experience this decrease. The FY2016 request of \$2.302 billion includes \$1.186 billion for the Drinking Water SRF and \$1.116 billion for the Clean Water SRF. In FY2014, NEMW states were allotted 42% of the Drinking Water SRF and 60% of the Clean Water SRF (including Superstorm Sandy supplemental funds to New York and New Jersey). For FY2015, EPA estimates that NEMW states will receive 35% of the Drinking Water SRF and 51% of the Clean Water SRF. Under the President’s request, the percentage of the total going to the NEMW region would remain steady for both programs, although the total dollar value would increase by \$99 million for the Drinking Water SRF and decrease by \$175 million for the Clean Water SRF.⁸

Program	2015	REQ 2016	Change
Drinking Water SRF	\$906.9m	\$1,186m	30.8%
Clean Water SRF	\$1,448.9m	\$1,116m	-23%

- **Water Infrastructure Finance and Innovation Act (WIFIA) Program**

In order to begin fulfilling the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA), which creates a 5-year pilot program for water infrastructure investment and provides low-interest loans to eligible entities for large water and wastewater projects, the FY2016 Budget proposes \$5 million for the development of a WIFIA program through the EPA.

- **Waterway Trust Funds – Army Corps of Engineers**

Under the President’s plan, the Army Corps of Engineers would receive \$4.73 billion in discretionary funds, including a construction budget of \$1.72 billion. Although this is slightly higher than last year’s proposed \$4.5 billion budget, it is 15% lower than the \$5.5 billion Congress appropriated to the Corps in FY2015. Key Corps-administered Trust Funds are instrumental to the improvement of NEMW regional port ranges and waterways.

- **Harbor Maintenance Trust Fund (HMTF)**

Maritime transportation system users pay a Harbor Maintenance Tax that capitalizes the HMTF. The Army Corps of Engineers taps the HMTF for operation and maintenance activities in commercial harbors, like those critical to the NEMW region’s economy. HMTF revenue is approximately \$1.9 billion annually and rising, but federal HMTF annual expenditures fall far short of this amount. The President’s FY2016 Budget proposes only \$915 million in HMTF expenditures, which if appropriated would represent an almost 18% cut from the Congressionally-appropriated \$1.1 billion for expenditures in FY2015. The FY2016 request

⁸ NEMWI analysis of EPA data, 2015.

allots \$48.2 million to dredge Great Lakes navigation channels – \$39.5 million less than the estimated need (\$87.7 million).⁹

▪ **Inland Waterways Trust Fund (IWTF)**

The Inland Waterways Trust Fund is used to pay one half of the costs associated with the construction, replacement, rehabilitation, and expansion of federal inland waterways projects. The President’s FY2016 budget proposal includes \$53 million from the Trust Fund for use on inland waterways projects (compared with \$112 million for FY2015).

Program	2015	REQ 2016	Change
HMTF	\$1,112m	\$915m	-17.7%
IWTF	\$112m	\$53m	-52.7%

▪ **Upper Mississippi River Restoration - Environmental Management Program (UMRR-EMP)**

The President's FY2016 Budget plan reduces funding for the UMRR-EMP to \$19.8 million, a program cut of \$13.4 million from FY2015. Annual UMRR-EMP funding is authorized at \$33.5 million, but apart from FY2015, has historically been well below that amount. The UMRR-EMP is the primary federal aquatic habitat restoration and monitoring program on the Upper Mississippi River system. The Army Corps of Engineers has overall responsibility for the UMRR-EMP and directly manages the habitat projects portion of the program, in consultation with other program partners, including the U.S. Fish and Wildlife Service and the Upper Mississippi River system states (Minnesota, Wisconsin, Iowa, Illinois and Missouri). The USGS manages the long term resource monitoring portion.

Program	2015	REQ 2016	Change
UMRR-EMP	\$33.2m	\$19.8m	-40.4%

▪ **The Diesel Emissions Reduction Grant Program (DERA)**

The FY2016 request would reduce the enacted funding for EPA’s DERA grants from \$30 million to \$10 million. Reducing air emissions is a high priority for NEMW region ports, where port operations and/or plans to expand often take place in National Ambient Air Quality Standards nonattainment areas, or near residential communities. The Diesel Emissions Reduction Act of 2005 authorized \$100 million in competitive and state grants to help marine and inland water ports reduce air emissions through technological upgrades and other improvements.

Program	2015	REQ 2016	Change
DERA	\$30m	\$10m	-66.7%

▪ **Intermodal Shipping - Maritime Administration**

The Department of Transportation’s Maritime Administration administers two programs that could be instrumental to ushering in “short-sea shipping” cargo transportation options in the NEMW region. Short-sea shipping is the incorporation of waterborne transportation legs into otherwise wholly surface transportation cargo delivery patterns. This prospect of intermodal shipping is particularly desirable and practical for the NEMW region where highways and bridges are aging and highly congested, while port and waterway systems are abundant, co-located with shipping

⁹ [American Great Lakes Ports Association](#), 2015.

centers, and underutilized. The programs below make resources available for developing new, more efficient approaches to using regional waterborne transportation assets.

▪ **Maritime Environment and Technology Assistance (META) Program**

The President’s Budget proposes \$4 million for META, an increase of \$1 million over FY2015 funding. META supports advancements in maritime science, technology, and system efficiency. Its current focus is on liquefied natural gas fuel conversion and achieving compliance with emerging ballast water management, hull fouling prevention, and energy efficiency objectives.

Program	2015	REQ 2016	Change
META	\$3m	\$4m	33.3%

▪ **America’s Marine Highways**

No specific funding level was cited in the President’s FY2016 Budget for the America’s Marine Highways Program, which reduces landside congestion through the designation of Marine Highway Routes. However, the Maritime Administration budget detail refers to this initiative as part of Headquarters Operations, for which the President proposes a funding increase of \$2.7 million from \$47.4 million to \$50.1 million.

▪ **The GROW AMERICA Act**

Legislative Proposal: The President’s Budget requests \$478 billion for the GROW AMERICA Act, a 6-year surface transportation reauthorization proposal. The bill would prioritize safety, closure of the Nation’s infrastructure deficit, and modernization of the U.S. transportation system. Some regionally-relevant highlights in the proposal include:

- *\$1.25 billion (mandatory) for the Transportation Investment Generating Economic Recovery (TIGER) program (\$7.5 billion over 6 years) to encourage multi-modal, multi-jurisdictional projects;*
- *\$18.4 billion for the Federal Transit Administration (FTA) for local transit infrastructure and operations;*
- *\$4.8 billion for the National High Performance Rail System (\$28.6 billion over 6 years) to support current operations and future development via two new programs: the Current Passenger Rail Service and the Rail Service Improvement Program. Included in this request is \$550 million for Amtrak’s Northeast Corridor.*

Program	2015	REQ 2016	Change
TIGER	\$500m	\$1,250m	150%
FTA	\$10,887m	\$18,339m	69%
High Performance Rail	n/a	\$4,775m	n/a

Neighborhood and City Revitalization Programs

Selected federal programs under the Jurisdiction of the Appropriations Subcommittee on *Transportation, Housing and Urban Development, and Related Agencies; Interior, Environment, and Related Agencies*

- **Community Development Block Grants (CDBG)**

The Budget proposes a \$161 million decrease for the Department of Housing and Urban Development’s (HUD) CDBG program, which funds a wide range of activities directed toward neighborhood revitalization, economic development, and community services. In FY2014, NEMW states were allocated 45% of all CDBG funding.¹⁰

Program	2015	REQ 2016	Change
CDBG	\$3,000m	\$2,839m	-5.4%

- **HOME Investment Partnerships Program (HOME)**

The President’s FY2016 request of over \$1 billion would provide a \$160 million increase for HUD’s HOME program, which provides formula grants to states and localities for activities such as building, buying, and/or rehabilitating affordable housing for rent or homeownership, as well as direct rental assistance to low-income people. Similar to CDBG funding, the NEMW region benefits disproportionately from the HOME program; in FY2014, NEMW states were allocated 41% of all HOME funds.¹¹

Program	2015	REQ 2016	Change
HOME	\$900m	\$1,060m	17.8%

- **Choice Neighborhoods Grants (Choice)**

The President proposes a substantial increase of \$170 million for HUD’s Choice program, which funds the development and implementation of comprehensive local plans to transform neighborhoods of poverty into viable mixed-income neighborhoods. Flint, Michigan and Gary, Indiana are among the most recent planning grantees.

Program	2015	REQ 2016	Change
Choice	\$80m	\$250m	212.5%

- **Upward Mobility Project**

In line with the Budget’s theme of economic mobility, the President proposes a new initiative – the Upward Mobility Project. With a funding request of \$1.5 billion over five years, the initiative would allow up to ten communities, states, or consortia of the two to combine and use more flexibly funds from four existing programs—Social Services Block Grant (HHS), Community Services Block Grant (HHS), Community Development Block Grant (HUD), and HOME Investment Partnerships Program (HUD)—in exchange for more accountability for results. Each of these programs is designed to promote economic opportunity and reduce poverty. Participating communities would be eligible to receive HHS funding of up to \$300 million per year to test and validate promising

¹⁰ NEMWI analysis of HUD data, 2014.

¹¹ Ibid.

approaches that help families become more self-sufficient, improve children’s outcomes, and revitalize communities so they can provide more opportunities for their residents.

- **Brownfields Projects (Assessment and Cleanup)**

The President’s request of \$110 million for the EPA’s Brownfields Projects reflects an increase of \$30 million from FY2015 funding for the program. For FY2016, this funding is expected to result in the assessment of 1,300 brownfields properties (all of which are located in distressed communities), as well as the preparation of 4,000 acres of brownfields for reuse. The EPA will continue to engage in cooperative agreements and technical assistance through Area-Wide Planning grants; \$5 million will be dedicated exclusively for comprehensive planning in communities affected by the retirement of coal-fired plants.

Program	2015	REQ 2016	Change
Brownfields Assess/Clean	\$80m	\$110m	37.5%

Conclusion

The President's FY2016 Budget calls for \$1.087 trillion in discretionary spending, demonstrating the Administration's desire to end sequestration and increase federal spending by \$59 billion over the FY2015 enacted level. The President's emphasis for FY2016 on economic stability and mobility is apparent in his requests for increased spending on such programs and initiatives as the National Network for Manufacturing Innovation, High-Growth Sector Training Grants, the Upward Mobility Project under HUD and HHS, and attention to coal communities through the EPA's Brownfields Projects. However, some proposed cuts—such as those to Low Income Home Energy Assistance Program block grants and Community Development Block Grants—could undermine the President's economic goals, especially in the Northeast-Midwest region.

The Budget also supports environmental protection and restoration, as well as improvements in water, energy, and transportation infrastructure. The region stands to benefit from proposed increases to programs such as the Drinking Water State Revolving Fund and the Office of Electricity Delivery and Energy Reliability, as well as from legislative proposals for long-term, mandatory funding for surface transportation and the Land and Water Conservation Fund. Proposed cuts to programs such as the Great Lakes Restoration Initiative and the Clean Water State Revolving Fund, however, could have negative impacts on the region's environment, and in turn, its economy.

Over the next several months, Congress will review the President's Budget Request and determine federal spending through the appropriations process. Members of the NEMW Coalitions and delegation, as well as other regional stakeholders, should consider the proposals highlighted here as they engage in and inform the appropriations process.