

Note to the Coalitions**THE PRESIDENT'S FY2013 BUDGET AND THE REGION**

The Northeast-Midwest Institute (NEMWI) and the bipartisan Northeast-Midwest Congressional Coalition produced this rapid review of the President's FY2013 budget to inform the Northeast-Midwest Congressional and Senate Coalitions, states, and other regional partners of its implications for the Northeast-Midwest (NEMW) region.

Specifically, the analysis describes, by Congressional Appropriations Committee jurisdiction, prominent features of the Administration's FY2013 budget evident on the day of budget release (February 13, 2012) and relevant to the NEMW region. NEMWI and the NEMW Congressional Coalition will issue a second more comprehensive *Note to the Coalitions* incorporating detail on other smaller but still regionally important programs in the President's FY2013 budget once agencies release their programmatic details (usually within two-three weeks of the release of the President's budget).

At this juncture, it is clear that the President's FY2013 budget provides important near-term openings for the NEMW region to advance economic and environmental objectives common to the region's 18 states. However, the budget information released on February 13, 2012 also foretells that these openings are highly temporary, making capacity-building for self-sustaining future progress on these objectives a near-term priority for the region.

An up-to-date table of available Appropriations Levels (FY2010-12) and Request Levels (FY2013) for more than 70 programs of importance to the NEMW region is available now for viewing [here](#) and on the NEMWI website over time.

Agriculture, Rural Development, Food & Drug Administration, and Related Agencies

The U.S. Department of Agriculture (USDA) agriculture and natural resource conservation programs established in past Farm Bills have delivered great benefits to the region's farmers, its soil and water resources, and its environmental and economic integrity. These benefits include increased farmland productivity; dramatically reduced rates of soil erosion; a halt to farm wetland loss; the conservation and restoration of critical aquatic, forest and wildlife habitat; and continued economic growth for farmers and farmland owners.

The President's FY2013 budget calls for increases in the direct-payment subsidy program and federal subsidies for crop and income insurance, but the long-term budget plan would gradually eliminate the federal direct-payment subsidy program and significantly reduce the level of Federal crop insurance support over time. The FY2013 budget also contains initial reductions in funds for natural resource conservation programs, which are slated to continue over time. At the agency-wide level, the budget would provide \$23.9 billion in FY2013 discretionary funding to support USDA programs, a decrease of \$3.2 billion from the FY2010 enacted level.

Direct Payments

Farm Bill¹ Title 1 direct payment provisions supply producers fixed annual income assistance for having historically planted crops that were supported by government programs, regardless of whether the farmer is currently producing those or any other crops. As proposed in its previous three budget plans, the Obama Administration recommends eliminating direct payments to farmers in the long term, but spending for direct payment subsidies would increase by \$500 million (4%) to \$12.1 billion in FY2013. The Administration's proposed long-term cuts would save a total of \$22.7 billion through FY2022.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Commodity Payments to Farmers	11,600	12,100	4

Federal Crop Insurance

The federal crop insurance program is seen by many as a vital "safety net" for the nation's farms. Crop insurance is a joint effort between the federal government and the private insurance industry. The insurance protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. Revenue insurance programs also are available to shield farmers against low prices, poor yields, or a combination of both.

The FY2013 budget requests \$9.4 billion for federal crop insurance, an increase of \$5.9 billion above the FY2012 enacted level of \$3.5 billion (169%). However, the Administration proposes a significant reduction of federal subsidies paid to crop insurance companies over ten years (realizing a total savings of \$7.6 billion). The Administration proposes to reduce government spending by \$1.2 billion through FY2022 by lowering the return on investment that subsidized crop-insurance companies can collect from approximately 14% to about 12%; and to save approximately \$2.9 billion over ten years by lowering the cap on administrative expenses that the government pays to insurance companies.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Crop Insurance Program	3,500	9,400	169

¹ The Food, Conservation, and Energy Act of 2008 (P.L.110-246).

Conservation Programs

The 2008 Farm Bill reauthorized a number of USDA's popular conservation programs, administered by the Farm Service Agency and the Natural Resources Conservation Service (NRCS) through a variety of cost-sharing, monitoring, easement, financial assistance, and technical assistance mechanisms. The conservation programs help farmers, ranchers, and landowners adopt and maintain systems that provide numerous conservation benefits, including protecting water quality, reducing soil erosion, protecting and enhancing wildlife habitat and wetlands, conserving water, and sequestering carbon.

Overall, the Administration proposes spending \$827 million in discretionary funding toward conservation, a decrease of \$71 million (7.9%) from \$898 million actually appropriated in FY2011, and a decrease of \$24 million (2.8%) from an estimated \$851 million that will be spent in FY2012.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Discretionary Conservation Programs	851	827	-2.8

The budget plan also calls for cuts to Farm Bill mandatory spending for conservation with over \$1 billion in permanent rescissions. The budget proposes “to reduce conservation funding by \$1.8 billion over 10 years by better targeting conservation funding to the most cost-effective and environmentally-beneficial programs and practices.” Three conservation programs targeted for notable reductions are the Conservation Stewardship Program, cut by \$977 million over the next ten years (by capping enrollment at 30 million acres; a permanent reduction of almost 760,000 acres), the Environmental Quality Incentives Program (cut by \$100 million in FY2013), and both the Grasslands and Wetlands Reserve Programs. These latter two programs are effectively eliminated at the end of the current fiscal year, unless they are reauthorized in the next Farm Bill.

In addition to those and other specific Farm Bill conservation programs, NRCS provides technical assistance to a variety of stakeholders, including agricultural producers, private landowners, conservation districts, Tribes and other organizations, in order to provide them with the knowledge and conservation tools they need to conserve, maintain and improve natural resources. The FY2013 budget requests \$728.8 million for NRCS technical assistance, which is a slight decrease (\$0.6 million) from the FY2012 enacted level.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Technical Assistance	\$729.4	\$728.8	-0.08

Commerce, Justice, Science, and Related Agencies

Within the Department of Commerce, NEMWI tracks funding for manufacturing-related work by the National Institute of Standards and Technology; and coastal management programs led by the National Oceanic and Atmospheric Administration (NOAA).

Manufacturing Extension Partnership (MEP)

The Hollings Manufacturing Extension Partnership (MEP) is a Federal-State partnership that provides assistance to small and medium-sized U.S. manufacturers to help them expand into new markets and identify and adopt new technologies. The program consists of 60 MEP Centers that work directly with their local manufacturing communities. Of these centers, 25 (42%) are in the NEMW region, with seven centers located in Pennsylvania, alone. The President requests essentially level funding for the MEP in FY2013 at \$128 million.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
MEP	128.4	128.0	-0.3

Coastal Zone Management (CZM) Grants

The Coastal Zone Management (CZM) program is a voluntary partnership between the federal government and U.S. coastal and Great Lakes states authorized by the Coastal Zone Management Act of 1972 to address national coastal issues. All the Great Lakes states, except Illinois,² have received CZM Grants for their coastal zone management programs, at an average rate of \$13.57 million annually (FY2007 to FY2010). The President's FY2013 budget seeks level funding for this program at \$66.1 million.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
CZM Program	66.1	66.1	0

National Sea Grant

The National Sea Grant program is NOAA's primary university-based research program in support of coastal resource use and conservation. The research and outreach provided by Sea Grant aims to promote better understanding, conservation and use of coastal resources. The President's 9% cut would likely affect NEMW states, though Congress has a history of restoring funds to this program.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
National Sea Grant Program	63	57.3	-9

Energy and Water Development and Related Agencies

The *Energy and Water Development and Related Agencies* appropriations legislative vehicle provides funding for the U.S. Department of Energy (DOE) and the U.S. Army Corps of

² Illinois is currently seeking federal approval for the Illinois Coastal Management Program.

Engineers. At DOE, the Office of Energy Efficiency and Renewable Energy (EERE) and its Industrial Technologies Program are of particular importance to the NEMW region.

Energy Efficiency Programs

The EERE invests in energy efficiency research and development to create jobs and establish the United States as a technological leader. A grant from EERE to the New York State Energy Research and Development Authority is a major source of the funding for the development of the region's Northeast Electric Vehicle Network. The President's FY2013 budget proposes an increase of \$442 million (24%) in the program, marking his continued commitment to investment in domestic energy efficiency.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
EERE	1,825	2,267	24

The President's budget focuses squarely on promoting manufacturing in order to boost employment and economic growth nationally. Consequently, the EERE's Industrial Technologies Program was reformulated into the Advanced Manufacturing Office and allocated a remarkable increase in funding; the program received a boost of \$174 million, amounting to a 151% increase. Given the NEMW region's strength in manufacturing, this increase could benefit industry in the NEMW region by boosting life-cycle energy efficiency and manufacturing technology investments.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Advanced Manufacturing Office	115.6	290	151

The Administration also proposes \$12 million in the FY2013 budget for DOE, in collaboration with EPA and the U.S. Geological Survey, to launch a new, multi-year, \$45 million research effort to advance technology and methods to safely and responsibly develop America's natural gas resources. This research could be of particular importance to the NEMW region as natural gas development continues to expand in the Marcellus and Utica Shale formations.

Interior, Environment, and Related Agencies

Many programs receiving funding through the *Interior, Environment and Related Agencies* appropriations legislation are of particular interest to the NEMW region. The bill includes funding for the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Interior. Under the purview of EPA, many large-scale aquatic restoration programs in the region—including the Chesapeake Bay Program and the Great Lakes Restoration Initiative (GLRI)—are administered. EPA also oversees critical water quality and infrastructure programs, including Section 106 Water Pollution Control Grants, the Clean Water and Drinking Water State Revolving Funds (SRFs), and the National Estuary Program.

Ecosystem Restoration Programs

The President has requested \$72.6 million for the Chesapeake Bay Program, a 27% (\$15.2 million) increase over FY2012 funding levels and the most ever requested. This request aligns with a promise to advance a more concerted effort to restore the Chesapeake Bay watershed as detailed in the President's 2009 Executive Order on Chesapeake Bay restoration. Thirty-two million dollars of the increased amount will be used for grants to assist the six Chesapeake Bay watershed states to meet their restoration goals.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Chesapeake Bay Program	57.4	72.6	27

The Administration's budget initiative for the Great Lakes, GLRI, started in FY2010 at \$475 million, and dropped to \$300 million per year in FY2011 and FY2012. GLRI focuses on five major restoration priorities: (1) mitigating toxic substances and restoring Areas of Concern; (2) reducing the impact of invasive species; (3) improving near-shore health and reducing non-point source pollution; (4) improving habitat and reducing species loss; and (5) improving the information, engagement, and accountability in the program overall. The FY2013 President's proposal for GLRI is \$300 million, level with FY2011 and FY2012.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
GLRI	300	300	0

Water Infrastructure

The Clean Water SRF provides funding for wastewater treatment, nonpoint source pollution, and watershed and estuary management. The Drinking Water SRF provides funding to invest in infrastructure improvements to ensure safe drinking water. The NEMW region is especially challenged with aging infrastructure and other water infrastructure needs. The President's FY2013 budget request decreases the State Revolving Funds by \$404 million (16.6%) to \$2.025 billion. The Administration believes that the reduced FY2013 level still will allow "robust" funding by state programs. EPA reports that it will "work to target assistance" through the SRFs "to small and underserved communities with limited ability to repay loans." Additionally, the Administration proposes using an "infrastructure bank" to address a portion of the funding void created by the SRF decrease.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Clean Water SRF	1,466	1,175	-19.8
Drinking Water SRF	963	850	-11.7
Total SRF	2,429	2,025	-16.6

Labor, Health and Human Services, Education, and Related Agencies

LIHEAP and LIHEAP Contingency Funds

Within this Appropriations Committee jurisdiction, there is one program of special concern to the NEMW Coalitions and Institute: the Low-Income Home Energy Assistance Program (LIHEAP). This Health and Human Services (HHS) program makes grants to states and other jurisdictions to assist eligible households in meeting home energy costs. LIHEAP is an extremely important program for the wintry and populous NEMW region; in FY2010, NEMW states received nearly 60% of LIHEAP funding. LIHEAP Contingency Funds—emergency funds to supplement LIHEAP (regular) funds—historically also were associated with LIHEAP program services; however, no contingency funds were appropriated for FY2012.

For FY2013, the President proposes to decrease regular LIHEAP funds by \$652 million (19%) from the FY2012 appropriated level. However, he requested that Contingency Funds be made available in FY2013 at \$200 million. In all, LIHEAP support would fall by \$452 million (13%) from FY2012 levels. The request, however, is higher than the Administration's FY2012 request, and HHS states that the higher request is in response to the rising price of heating oil. The Northeast accounts for about 80% of U.S. households that depend on home heating oil for energy, by far the largest regional user.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
LIHEAP	3,472	2,820	-19
Contingency	0	200	NA
Total LIHEAP	3,472	3,020	-13

State, Foreign Operations, and Related Programs

The Great Lakes, generally, support a major freshwater fishery shared by the United States and Canada; the St. Lawrence Seaway, which spans the Great Lakes, is an important bi-national transportation corridor for commercial navigation. Two International Commissions within the Department of State are vital to the NEMW region due to their work to maintain these cross-border resources: the Great Lakes Fishery Commission (GLFC) and the International Joint Commission (IJC).

Great Lakes Fishery Commission (GLFC)

The GLFC was established by the Convention on Great Lakes Fisheries of 1954, a treaty between Canada and the United States. The GLFC's mandate is to improve and perpetuate Great Lakes fish populations devastated by overfishing, sea lamprey predation, and other problems; to develop and coordinate fishery research; to advise governments on measures to improve fisheries; and to formulate and implement programs to eradicate or minimize sea lamprey populations. The President's proposed FY2013 funding level for the GLFC is \$20 million, a decrease of \$3.7 million (16%) from the FY2012 level. However, the FY2013 President's request only applies to the Great Lakes (which is typical of previous Administration requests) and in that regard is essentially level funding with FY2012.

Congress generally appropriates additional funding for the GLFC to carry out related specialized work in Lake Champlain. In FY2012 the funding for GLFC was \$23.7 million, of which \$20.7 million was for the Great Lakes and \$3 million was for Lake Champlain.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
GLFC	23.7	20.0	-16

International Joint Commission (IJC)

The United States and Canada established the IJC by the Boundary Treaty of 1909 to help the two countries prevent and resolve differences along the entire distance of their shared boundary. Among other responsibilities, the IJC assists the governments in achieving their goal of protecting and restoring the Great Lakes-St. Lawrence Seaway system. The President's FY2013 request for the IJC reflects an increase of \$0.4 million (6%) from the FY2012 funding level. This increase reflects only an inflation and cost of living-adjustment.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
IJC	7	7.4	6

Transportation, Housing and Urban Development, and Related Agencies

Several programs of the Departments of Transportation (DOT) and Housing and Urban Development (HUD) are critical to the NEMW region, including those providing funds for rail, public transportation, and sustainable communities initiatives. Within HUD, NEMWI's priority programs are the broad Community Development Block Grant program, the more targeted Tenant-Based Rental Assistance program, and the Sustainable Communities Initiative, discussed below.

Amtrak and Railroad System Preservation and Renewal Funds

As with his FY2012 infrastructure funding proposal, the President's FY2013 budget again zeroes Amtrak spending and instead asks for \$1,546 million for Railroad System Preservation and Renewal Funds, most of which would presumably go to Amtrak. The NEMW region is home to three of the nation's five busiest Amtrak stations and is proximate to the nation's second busiest station, Washington Union. Amtrak trains move tens of millions of passengers in the NEMW region each year, and Amtrak-owned tracks move many times more.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Amtrak (National Railroad Passenger Corporation) ³	1,418	0	-100
Railroad Sys. Preserv. and Renewal Funds	0	1,546	NA

³ Includes operating, capital, and debt subsidies; does not include inter-city passenger rail grants

Capital Assistance for High Speed Rail and Network Development Programs

The President requests for FY2013, \$1 billion for Railroad Network Development Programs, including: \$850 million for High-Speed Corridor Development; \$23 million for Station Development; \$53 million for U.S. Rail Equipment Development; and \$74 million for Capacity Building and Transition Assistance. Previously, rail expansion and improvement projects have been funded under the Recovery Act's Capital Assistance for High Speed Rail program, but that program was zeroed in the FY2012 budget. Funds from the Capital Assistance for High Speed Rail program have helped to fund improvements on the Northeast Corridor and to provide upgrades for lines in the Midwest.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service	0	0	NA
Railroad Network Development Programs	0	1,000	NA

Sustainable Communities Initiative

Of particular note in this year's budget request is the proposed restoration of funds for the Sustainable Communities Initiative (SCI). SCI is part of a multi-agency (HUD, DOT, EPA) Partnership dedicated to coordinating joint incentives for communities to improve access to affordable housing, provide more transportation options, and lower transportation costs while protecting the environment and enhancing economic competitiveness in communities around the country. In FY2011, HUD's SCI received \$100 million but funding was nearly eliminated by Congress in FY2012, leaving only \$2.6 million for operating expenses. The President's FY2013 request of \$100 million would restore the program funding to its FY2011 level. The NEMW region received an average of 42% of FY2010-11 HUD SCI grant funds (including Regional Planning and Community Challenge Grants). See NEMWI's [Note to the Coalition on Partnership for Sustainable Communities Grants](#) for more information.

Program	FY2012 (millions of dollars)	REQ FY2013 (millions of dollars)	% Difference
Sustainable Communities Initiative	2.6	100	38

Conclusion

The President's FY2013 budget provides important openings for the NEMW region to advance many economic and environmental objectives common to the region's 18 states. These objectives include:

- Revitalization of the region's manufacturing sector and older cities' aging transportation and water infrastructure;
- Increased industrial energy efficiency, growth of sustainable agriculture and a green economy generally; and
- Restoration of major ecosystems like the Great Lakes and the Chesapeake Bay.

The budget also foretells, however, that federal funding support for these goals will not continue over time, especially for the agriculture sector. As such, the NEMW region would be wise to exploit FY2013 federal funding opportunities consistent with these objectives to build capacity for sustainability without federal funding support in the future.

For updated Appropriations Levels (FY10-12) and Request Levels (FY13) on more than 70 programs of importance to the NEMW region, please refer to our website budget table, available [here](#).

Please help the Northeast-Midwest Institute better serve your Office's needs by filling out this very brief survey about this *Note to the Coalition*: <http://www.surveymonkey.com/s/GBVGCM8>