

NORTHEAST-MIDWEST INSTITUTE



A NOTE TO THE COALITIONS

THE PRESIDENT'S FY2015 BUDGET AND THE NORTHEAST-MIDWEST REGION

Prominent characteristics—assets and challenges—bind the Northeast-Midwest (NEMW) region's 18 states and inspire collaborative legislative efforts by the region's bipartisan NEMW Congressional and Senate Coalitions. Fortunately so: more and more, it “takes a region” to bring effective federal policy to fruition. The Northeast-Midwest Institute (NEMWI) facilitates this collaborative action through policy, technical and scientific research, analysis, and information-sharing. This NEMWI *Note to the Coalitions* reviews the President's FY2015 Budget—\$1.014 trillion in discretionary spending—from a regional perspective to assist NEMW public and private stakeholders in advocating collaboratively for shared federal policy priorities.

The NEMW region's key assets include: well-established manufacturing hubs and supply systems; a skilled workforce; bountiful fresh water; spectacular winter recreation opportunities; world-class cities; developed water, energy, and transportation infrastructure; and successful integration of economic and environmental priorities. Concomitant with these are the region's shared challenges: job loss and vacant properties; legacy pollution; high heating bills; slow population growth relative to other regions and population decreases in many cities; reductions in Congressional representation; and aging electricity grids, roads, bridges, and sewers. It is no wonder jurisdictions and stakeholders within the region share an interest in federal policies and programs that will help them:

- reinvigorate the manufacturing sector and its skilled workforce;
- protect and restore the region's Great Waters;
- modernize energy, water and transportation infrastructure; and
- revitalize neighborhoods and cities, and clean-up and reuse brownfield sites.

NEMWI finds that NEMW regional priorities will require concerted attention in the Congressional Appropriations process. The Budget proposes important new opportunities for regional economic and workforce development, neighborhood improvement, clean and efficient energy, and climate resilience. However, the Budget includes harmful cuts in home energy assistance, and would slash loans to states for water infrastructure modernization, critical to regional environmental and economic recovery. In an unorthodox move, the President proposes \$56 billion for an Opportunity, Growth, and Security Initiative (OGSI) to support activities potentially relevant to the NEMW region, but he does not allocate funds to them. NEMWI does not include these OGSI values in its summations of proposed funding levels.

In addition to publishing this *Note*, NEMWI maintains a detailed chart to track appropriations progress for these and many other regionally relevant federal programs [here](#).

Economic and Workforce Development Programs

Reinvigorating the Region's Manufacturing Sector

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees on *Commerce, Justice, Science, and Related Agencies; Energy and Water Development, and Related Agencies*

The President's FY2015 Budget supports manufacturing in a number of ways. Some highlights:

- The President requests **\$141 million** for the Department of Commerce's (DOC) **Hollings Manufacturing Extension Partnership (MEP)**, a \$13 million increase over the FY2014 enacted level. The new funds will increase MEP's focus on "expanding technology and supply chain capabilities to support technology adoption" to improve local competitiveness. Of the 59 MEP centers, 26 are in the NEMW region, with at least one in each NEMW state (Illinois and Wisconsin each have two and Pennsylvania has seven).
- The Budget for the first time requests **\$5 million** for the coordination of **Manufacturing Innovation Institutes** – public-private partnerships among businesses, federal agencies, and universities to create regional centers of high-tech jobs. So far through this program, the Administration—via sponsoring agencies—has launched four institutes, three of which are in NEMW states (Ohio, Michigan, and Illinois). The Administration expects to launch four more institutes in FY2014. The President's goal is the establishment of a national network of 45 manufacturing institutes over ten years.
- The Budget proposes **\$15 million**, level with FY2014 funding, for DOC's industry-led **Advanced Manufacturing Technology Consortia (AMTech)** to support public-private partnership technology development to resolve major manufacturing challenges faced by American businesses.
- The Budget requests **\$305 million** for the Department of Energy's (DOE) **Advanced Manufacturing Program (AMP)**, an increase of \$100 million over the FY2014 level. For FY2015, the program will continue to support research, development, and demonstration, as well as place greater emphasis on using less energy in advanced manufacturing.

Not all manufacturing programs would receive a boost, however. The President proposes a \$5 million cut to DOC's **Trade Adjustment Assistance for Firms (TAAF)**, which provides technical assistance to companies for increasing exports and creating jobs, reducing federal support from \$15 million in FY2014 to **\$10 million** in FY2015. It is not clear if this proposed cut would reduce the number of TAAF centers—five of 11 regional TAAF centers serve all NEMW states—or the level of activity across centers.

Advancing a Skilled Workforce

Selected federal programs under the Jurisdiction of the Appropriations Subcommittee on *Labor, Health and Human Services, Education, and Related Agencies*

The President's FY2015 Budget stresses the importance of matching worker skills with employer needs. The Budget requests for the first time **\$15 million** for **Sector Strategies**. This Department of Labor program would provide "grants to States, consortia of States, or regional partnerships to develop employment and training strategies targeted to particular in-demand industry sectors in regional economies." Many such partnerships are underway and many more are of interest throughout the NEMW region; examples include Cleveland-based WIRE-Net, the BWI Business Partnership in Hanover, Maryland, and Milwaukee's BIG-STEP.

Through the Opportunity, Growth, and Security Initiative, the President **proposes**—but **does not allocate funds for**—\$1.5 billion for the **Community College Job-Driven Training Fund** (the start of a four-year, \$6 billion plan). The fund would support competitive grants for partnerships among community colleges, industry groups, training entities, and employers to launch new training programs and apprenticeships. Of that money, \$500 million would be set aside annually for grants to create new apprenticeships as well as increase participation in existing apprenticeship programs.

Program/Initiative	Proposed change from FY2014
Manufacturing Extension Partnership	+13M
Manufacturing Institute Coordination	+5M
Advanced Manufacturing Technology Consortia	No change
Advanced Manufacturing Program	+100M
Trade Adjustment Assistance Firms	-5M
Sector Strategies	+15M
NET CHANGE	+ \$128M

Aquatic Resource Protection Programs

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

The NEMW region is graced with world-class harbors, bays, lakes, and rivers—our region’s Great Waters. With them come legacy pollution and protection and restoration needs. The Budget would support key programs to help the region meet these expensive but urgent needs:

- The President’s FY2015 request for the U.S. Environmental Protection Agency’s (EPA) **Great Lakes Restoration Initiative** is **\$275 million**, the lowest amount since the program’s initial year of funding (FY2010), and a \$10 million decrease from the FY2013 funding level that also included sequestration (\$285 million). This initiative has so far provided over \$1.66 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.
- The Budget would add \$18.5 million to the EPA’s **Section 106 Water Pollution Control Grants Program** for a total request of **\$249.2 million** to help states and tribes implement water pollution control programs and conduct much-needed nutrient management.
- The Budget requests **\$73 million** for the EPA’s **Chesapeake Bay Program**, to help implement target pollution controls for nitrogen, phosphorus, and sediment in the Bay, 37.5% of which are expected to be achieved by FY2015. The FY2015 Budget requests a \$16 million increase over FY2012 and a \$3 million increase over FY2014 funding levels, continuing an upward trend.
- The Budget proposes **\$350 million in discretionary funding** for the Departments of Interior and Agriculture’s **Land and Water Conservation Fund (LWCF)**, plus an additional \$550 million in mandatory funding, to total \$900 million. The Budget also includes a separate legislative proposal to require spending at \$900 million (mandatory) in future years. The proposed FY2015 level represents an increase from both the FY2014 request (\$600 million total, \$200 mandatory) and the FY2014 enacted level of \$306 million (discretionary). The LWCF funds states’ recreation planning and facilities, land acquisition and water resource protection.
- The Budget requests **\$210.4 million** for **water resources programs** at the U.S. Geological Survey (USGS), a \$3.1 million increase over enacted FY2014 levels. This request includes a \$2.4 million bump for the National **Groundwater Monitoring Network** (to total \$11.4 million) and \$1.2 million more for the **National Streamflow Information Program** (to total \$35.1 million) for streamgages.

Program/Initiative	Proposed change from FY2014
Great Lakes Restoration Initiative	-25M
Section 106 Water Pollution Control	+18.5M
Chesapeake Bay Program	+3M
Land and Water Conservation Fund	+44M
USGS Water Resources	+3.1M
NET CHANGE	+\$43.6M



Neighborhood and City Revitalization Programs

Revitalizing the Region's Neighborhoods and Cities

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

The President's FY2015 Budget supports community revitalization and health in a number of ways:

- The Budget requests **\$20 billion** for the Department of Housing and Urban Development's (HUD) **Tenant-Based Rental Assistance**, an increase over the FY2014 level of \$19.2 billion. State and local Public Housing Authorities administer this program, which provides housing assistance to extremely low- to very low-income families to rent in the neighborhoods of their choice.
- HUD's **Choice Neighborhoods Program**, which aims to transform neighborhoods of poverty into viable mixed-income neighborhoods, would receive a \$30 million increase in FY2015, from the FY2014 enacted amount of \$90 million to the FY2015 base request of **\$120 million**. The housing authorities of Meriden, CT, and Philadelphia, PA, were among the most recent round of grantees.

HUD will direct the majority of its FY2015 Budget toward rental and homeless assistance, and public housing capital needs. One major community revitalization program would see decreased funds:

- The President's FY2015 request for **Community Development Block Grants (CDBG)** is **\$2.8 billion**, a \$230 million decrease from the FY2014 enacted level of \$3.03 billion. CDBG aims to develop viable urban communities through a wide range of activities directed toward neighborhood revitalization, economic development, and community services, facilities, and improvements. Many of the NEMW region's cities benefit from HUD's consideration of such factors as age of housing and population growth lag in relationship to other metropolitan areas.

The President's FY2015 Budget also **proposed**—but **allocated no funds for**—an Opportunity, Growth, and Security Initiative, including an additional \$280 million for the **Choice Neighborhoods Program** (to total \$400 million) to assist seven to ten additional high poverty neighborhoods and \$75 million for **Integrated Planning and Investment Grants** (formerly the Sustainable Communities Initiative), to support “30–40 regional and community planning efforts that coordinate housing, land use, economic and workforce development, transportation, and infrastructure investments.” This initiative has not received funding since FY2012. In FY2010 through FY2011, NEMW states received on average 42% of total HUD Sustainable Communities Initiative funds.



Cleaning up and Reusing Brownfield Sites

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

The President's FY2015 Budget demonstrates similar support for brownfield cleanup and redevelopment as in recent years:

- The request for the U.S. Environmental Protection Agency's (EPA) **Brownfield Projects** is **\$85 million**, a decrease of \$5 million from FY2014 enacted levels. The request for **Brownfield Categorical Grants** is **\$47.7 million**, level with FY2014 funding. In FY2015, EPA plans to award approximately 119 assessment grants, 52 cleanup grants, 17 Environmental Workforce Development and Job Training grants, 20 area wide planning grants, and a variety of technical assistance, targeted assessment, and petroleum brownfields grants. In FY2013, NEMW states received 55% (nearly \$44 million) of Brownfield Assessment and Cleanup project grants.
- EPA also proposes a notable change to its grant and cooperative agreement structure in order to reduce costs and allow regional staff to better manage existing grants. Starting in FY2015, the agency will alternate the grant competition cycle with Revolving Loan Fund (RLF) cooperative agreements to eligible recipients every other year.

Planning for Base Realignment and Closure

Selected federal programs under the Jurisdiction of the Appropriations Subcommittee on *Defense*

The President's FY2015 Budget requests another round of **Base Realignment and Closure (BRAC)** to begin in FY2017, anticipating initial costs of \$1.6 billion through FY2019, but a multiyear savings starting in FY2020. As in the last round of closures in 2005, the Department of Defense (DOD) will recommend which bases should close and the BRAC Commission will review each base slated for closure according to Congressional criteria. The Commission considers military value, as well as human, economic, environmental, and other effects on surrounding communities.

The DOD's **Office of Economic Adjustment (OEA)** assists communities facing BRAC with such issues as unemployment, economic development, and land use planning. The President's FY2015 request for OEA base funding (excluding Overseas Contingency Operation funds) is **\$187 million**, a decrease of nearly \$30 million from the FY2014 base funding level of \$217 million.

Program/Initiative	Proposed change from FY 2014
Tenant-Based Rental Assistance	+868M
Choice Neighborhoods Program	+30M
Community Development Block Grants	-230M
Brownfield Projects	-5M
Brownfield Categorical Grants	No change
Base Realignment and Closure	TBD
DOD's Office of Economic Adjustment	-30M
NET CHANGE	+\$633M

Energy Infrastructure, Supply, and Assistance Programs

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

The President's FY2015 Budget would decrease *net* energy assistance to states and residents, but increase support for cleaner energy production and efficiency:

- The Budget would slash the Department of Health and Human Services' (HHS) **Low Income Home Energy Assistance Program (LIHEAP)** funds—60% of which typically go to NEMW states—by \$875 million to **\$2.55 billion** (from \$3.43 billion in FY2014). **LIHEAP contingency funds** for natural disasters or extreme weather would be restored to **\$200 million**. The Budget proposes **\$50 million** for competitive **Energy Burden Reduction Grants** for more efficient home heating systems and energy conservation.
- The Budget would increase DOE's **Weatherization Assistance Program (WAP)** for low-income households, to **\$227.6 million** from the FY2014 level (\$173.9 million); and **State Energy Program Grants (SEP)** for clean energy plans, policies, and programs, to **\$63 million** from FY2014's \$50 million. The NEMW region received 62% WAP and 39% of SEP funds in FY2013.
- The Budget requests **\$180 million**, \$33 million more than the FY2014 estimated amount (\$147 million), for DOE's **Office of Electricity Delivery and Energy Reliability**, which focuses on electricity grid modernization and resiliency. Its **Office of Energy Efficiency and Renewable Energy** would be funded at **\$2.3 billion**, up from \$1.9 billion in FY2014, for research, development, demonstration, and deployment of clean and renewable energy.
- The Budget steps up the U.S. Geological Survey (USGS), EPA, and DOE interagency **hydraulic fracturing research and development effort** to understand and minimize potential environmental, health, and safety impacts of shale energy development, proposing **\$18.6 million**, \$8.3 million over the FY2014 amount. The Marcellus shale formation underlying Pennsylvania, Maryland, and New York is a leading U.S. dry shale gas source.
- Within DOE, **\$14 million** is proposed for a new, **Clean Energy and Economic Development Partnerships** program to technically assist states and local communities to leverage the current shale gas boom into sustained development and growth, and diversified economies.

Program/Initiative	Proposed change from FY 2014
Low Income Home Energy Assistance Program	-875M
LIHEAP Contingency & Burden Reduction Grants	+250M
Office of Electricity Delivery and Energy Reliability	+33M
Office of Energy Efficiency and Renewable Energy (includes increases for WAP and SEP)	+405M
Hydraulic Fracturing R&D	+8M
Clean Energy & Economic Development Partnerships	+14M
NET CHANGE	-\$165M

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*

The President's FY2015 Budget would dramatically decrease investment in water infrastructure, and increase investment in transportation infrastructure:

- As in the FY2014 Budget, this Budget significantly cuts the **Drinking Water and Clean Water State Revolving Funds**. The FY2015 request of **\$1.78 billion** is \$581 million below the FY2014 enacted level (\$2.36 billion). The remaining money would be channeled to small and underserved communities. In FY2013, the NEMW region received 36% of Drinking Water State Revolving Funds and 49% of Clean Water State Revolving Funds.
- The **Army Corps of Engineers' Civil Works** would receive only **\$4.5 billion**, \$934 million less than its FY2014 enacted level. Remaining funds would focus "on investments in areas that will yield high economic and environmental returns or address a significant risk to public safety." Construction would be funded at \$1.1 billion and operation and maintenance at \$2.6 billion, with priority going to coastal harbors and inland waterways with the most commercial traffic. The Budget would increase the total amount to be spent from the Harbor Maintenance Trust Fund to \$915 million, a level higher than in any previous Budget. Despite the proposed cuts, the Administration named as priorities, or otherwise noted, ecosystem restoration efforts in the Upper Mississippi River, Chesapeake Bay, and Great Lakes, among other ecosystems.
- The Budget would double the Department of Transportation's (DOT) **TIGER grants (\$1.25 billion)** for innovative and leveraged transportation projects. In 2013, NEMW states received nearly \$163 million toward \$318 million worth of projects, approximately 34% of total 2013 TIGER funds, to support port and wharf repair, public transit upgrades, improvements to roads and congestion reduction.

As part of the Opportunity, Growth, and Security Initiative, the President **proposes, but requests no FY2015 Budget support for**, a four-year \$302 billion **surface transportation proposal** to revamp the way transportation infrastructure is funded. The program would shift emphasis from relying on the Highway Trust Fund, which is due to run out in 2014 without additional inputs from Congress, to revenue from "pro-growth business tax reform," as noted in the DOT's request. The approach seeks to combine job growth, tax reform, and infrastructure funding.

Program/Initiative	Proposed change from FY 2014
SRFs	-581M
ACE Civil Works	-934M
TIGER	+650 M
NET CHANGE	-\$865M

Climate Resilience

Selected federal programs under the Jurisdiction of the Appropriations Subcommittees of Homeland Security; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

The President’s proposed jumps in funding for climate resiliency programs come on the heels of: massive drought in the Midwest; severe flooding throughout the NEMW region; devastating impacts of Superstorm Sandy on infrastructure and coastal resources throughout the Mid-Atlantic, New England, and parts of the Great Lakes regions; and some of the hottest years on record.

- For the first time in three years, the President requests funding for the Federal Emergency Management Agency’s (FEMA) **Pre-Disaster Mitigation Program**, for state and local disaster planning. The **\$58 million** request is \$33 million more than the FY2014 level (\$25 million).*
- The Budget proposes **\$150 million**, a \$26 million cut from the \$176.3 million FY2014 enacted amount, in mandatory funding for FEMA’s **flood mitigation assistance** for flood resiliency. The level includes \$24 million for **flood mitigation and insurance operations**.
- The President requests **\$1.35 billion** for the U.S. Department of Agriculture's (USDA) **Environmental Quality Incentives Program**, \$250 million lower than the farm bill-authorized, mandatory funding level. The request includes \$25 million for **Conservation Innovation Grants**, which aim to stimulate the development and adoption of new conservation approaches and technologies.
- The Budget would incorporate USDA’s Rural Business Opportunity Grant Program into a new **Rural Business and Cooperative Grants Economic Development Grant Program** (funded at **\$57.5 million**), designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less.

As part of the Opportunity, Growth, and Security Initiative (OGSI), the President **proposes—but allocates no funds for**—a \$1 billion **Climate Resilience Fund** to support research on the projected impacts of climate change, community climate change preparation, and new technologies and resilient infrastructure. The Fund furthers the President’s 2013 Climate Action Plan on Climate Preparedness and Resilience, which established a 26-member task force that includes four NEMW region Governors, five NEMW Mayors, one NEMW County Commissioner, and one NEMW Tribal official. OGSI also includes an additional \$400 million for the **Pre-Disaster Mitigation Grant Program**.

Program/Initiative	Proposed change from FY 2014
Pre-Disaster Mitigation	+33M*
Flood Insurance & Mitigation Operations/Assistance	-26.3M
Environmental Quality Incentives Program (includes Conservation Innovation Grants)	No Change
Rural Business & Cooperative Grants	+57.5M
NET CHANGE	+\$64.2M

*Budget Text indicates a \$0 request, although appendix tables show a request of \$58 million.



Conclusion

In summary, the President's FY2015 Budget raises important new opportunities for the NEMW region, but it also requests reduced support for some of its most relied-upon programs. Specifically, the Budget:

- Proposes a dramatic decrease in the Low Income Home Energy Assistance Program, extremely important to low income residents of the NEMW region;
- Supports economic and workforce development in the NEMW region through an emphasis on advanced manufacturing and regional matching of worker skills with employer needs;
- Continues to help the region protect and restore its bountiful natural resources, but proposes a cut to the beneficial Great Lakes Restoration Initiative;
- Supports community revitalization through rental and high-poverty neighborhood assistance, but proposes potentially harmful cuts in Community Development Block Grants;
- Proposes military base closures, an impending concern for the region;
- Proposes considerable new funds for energy efficiency and clean energy, including responsible shale gas development;
- Dramatically decreases federal investment in water infrastructure through cuts to the Clean and Drinking Water State Revolving Funds;
- Proposes greater funding for leveraged transportation projects;
- Despite overall cuts to the Army Corps of Engineers' Civil Works funding, prioritizes ecosystem restoration efforts in the Upper Mississippi River, Chesapeake Bay, and Great Lakes;
- Supports regionally-relevant climate resilience programs, especially important in light of recent extreme weather events.

In sum, NEMWI finds that NEMW regional priorities will require concerted attention in the Congressional Appropriations process. In addition to publishing this *Note*, NEMWI maintains a detailed chart to track appropriations progress for these and many other regionally relevant, federal programs [here](#). The NEMWI stands ready to provide informational support to the region's elected officials and stakeholders throughout the FY2015 Budget and Appropriations deliberations. After all, it takes a region.

