



The President's FY2017 Budget Request & the Northeast-Midwest Region

President Obama's final federal budget request was released on February 9, 2016. The Northeast-Midwest Institute annually analyzes the budget request for funding levels, provisions, and newly proposed initiatives that will greatly impact the economy and environment of the Northeast-Midwest region.

This year, we focus on a selection of programs and initiatives in five areas of interest:

- Economic and Workforce Development
- Energy Assistance, Efficiency, and Supply
- Aquatic Resources
- Water and Transportation Infrastructure
- Neighborhood and City Revitalization

Based on this selection, the FY2017 budget request shows considerable support for the manufacturing sector, clean energy and energy efficiency, and land and water conservation. The budget displays less support, however, for restoration of the Great Lakes and the Chesapeake Bay, block grant programs for community development and low-income home energy assistance, and commercial harbor maintenance.

Funding levels for additional priority programs are available [here](#) on our website.

Economic and Workforce Development

Continued federal support for the region's workforce and its manufacturing sector is key to improving the region's—and in turn the nation's—overall economy. This year's budget request boosts funding for the Manufacturing Extension Partnership Program and the National Network for Manufacturing, but reduces funding for the Trade Adjustment Assistance for Firms Program.

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

Agency: Department of Commerce

Appropriations Subcommittee: Commerce, Justice, Science, and Related Agencies

About the Program:

- Supports a nationwide network of centers that are working to: transform small- and medium-sized manufacturers for global competitiveness, support greater supply chain integration, and provide access to technology for improved productivity
- 26 out of 60 MEP centers are located in the NEMW region – at least one in each NEMW state (Illinois and Wisconsin each have two and Pennsylvania has seven)

The FY2017 Request: Additional funding requested would allow the Department of Commerce to complete the final round of a multi-year competition of the MEP centers, reduce variation in funds across the system, target performance objectives such as improved data collection and dissemination, and work with more small, rural, and start-up firms.

Program	2016	REQ 2017	Change
MEP	\$130m	\$142m	+9.2%

- **Trade Adjustment Assistance for Firms (TAAF)**

Agency: Department of Commerce

Appropriations Subcommittee: Commerce, Justice, Science, and Related Agencies

About the Program:

- Provides technical assistance for increasing exports and creating jobs to small and mid-sized businesses negatively impacted by global trade
- Five of 11 regional TAAF centers serve all NEMW states

The FY2017 Request: According to the budget request, the proposed \$3 million decrease for FY2017 takes advantage of recent program restructuring, which will achieve savings through operational efficiencies.

Program	2016	REQ 2017	Change
TAAF	\$13m	\$10m	-23.1%

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

Agency: Departments of Commerce, Energy, and Defense

Appropriations Subcommittees: Commerce, Justice, Science, and Related Agencies; Energy and Water Development, and Related Agencies; Defense

About the Network:

- Supports public-private partnerships among businesses, federal agencies, community colleges, and universities to create regional centers of high tech jobs
- Four out of seven institutes are located in the NEMW region (Ohio, Michigan, Illinois, and New York); three competitions are in progress

The FY2017 Request:

- Supports establishment of two new institutes through open competition under the National Institute of Standards and Technology (NIST) as well as continued Commerce-led coordination of existing institutes; in addition to \$47 million in discretionary funding for Commerce, the budget calls for \$1.9 billion in mandatory funding to complete a goal of 45 institutes by FY2025

Program	2016	REQ 2017	Change
NNMI (Commerce)	\$25m	\$47m	+88%

- Includes on-going annual funding of existing Clean Energy institutes under the Department of Energy (DOE) plus initial funding for a new competitively selected Grid Clean Energy Institute (total DOE request: \$84 million)
- Provides support for existing Department of Defense (DoD)-led institutes plus funding for two new institutes (total DoD request: \$137 million)

Energy Assistance, Efficiency, and Supply

Industry and dense residential development in a wintry region makes energy affordability, reliability, and efficiency high priorities for the NEMW. This year's budget request decreases Low Income Home Energy Assistance Program block grants, but shows support for clean energy, energy efficiency, and weatherization through increased funding for the Department of Energy's Office of Energy Efficiency & Renewable Energy, the Weatherization Assistance Program, and the State Energy Program.

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

Agency: Department of Health and Human Services

Appropriations Subcommittee: Labor, Health and Human Services, Education, and Related Agencies

About the Program:

- Helps low-income residents pay for heating and cooling, among other energy uses
- 58% of funds are allocated to NEMW states for FY2016¹

The FY2017 Request: The budget calls for a \$390 million reduction in funding for the block grant program, but requests additional funding of \$769 million through a mandatory contingency fund that would respond to increases in the number of low-income households, spikes in the price of home energy costs, and extreme cold in early winter.

Program	2016	REQ 2017	Change
LIHEAP Block Grants	\$3,390m	\$3,000m	-11.5%

- **Office of Energy Efficiency & Renewable Energy (EERE)**

Agency: Department of Energy

Appropriations Subcommittee: Energy and Water Development, and Related Agencies

About the Office:

- Focuses on research, development, demonstration, and deployment of clean and renewable energy
- Includes Advanced Manufacturing, Building Technologies, and Weatherization and Intergovernmental Programs

The FY2017 Request: The Administration's request for an increase of \$825 million over the FY2016 funding level would mean across the board funding increases for EERE programs and offices, aiding EERE's plans to grow the domestic clean energy industry, increase energy productivity for American consumers and businesses, and expand access to renewable power and alternative vehicles.

Office	2016	REQ 2017	Change
EERE	\$2,073m	\$2,898m	+39.8%

- **Weatherization Assistance Program (WAP)**

Agency: Department of Energy

Appropriations Subcommittee: Energy and Water Development, and Related Agencies

¹ NEMWI analysis of Department of Health and Human Services data, 2015. The NEMW region's 18-state population of nearly 119 million is 37% of nation's population (U.S. Census Bureau, Population Estimates, 2015).

About the Program:

- Provides formula grants to states, territories, and some Indian tribes for energy efficiency improvements in low-income households, as well as training and technical assistance
- NEMW states were allocated 58% of WAP funds for FY2015²

The FY2017 Request: The budget requests an increase of about \$15 million for the program in total: \$13.4 million more for the formula grant program – enabling weatherization retrofits for an additional 3,000 or more low-income families, and \$2 million more for training and technical assistance.

Program	2016	REQ 2017	Change
WAP	\$215m	\$230m	+7%

- **State Energy Program (SEP)**

Agency: Department of Energy

Appropriations Subcommittee: Energy and Water Development, and Related Agencies

About the Program:

- Provides funding and technical assistance to state and territory energy offices to help them advance clean energy
- NEMW states were allocated 41% of SEP formula grant funds in FY2015³

The FY2017 Request: The \$70 million request would include \$45 million in formula grants, \$15 million in competitive financial assistance, and \$10 million in technical assistance.

Program	2016	REQ 2017	Change
SEP	\$50m	\$70m	+40%

- **Cities, Counties, and Communities Energy Program:** The FY2017 request includes \$26 million for the establishment of a new program to provide technical assistance and competitively-awarded funds to local governments, public housing authorities, non-profits, and other stakeholders to catalyze more extensive clean energy investments in revitalization efforts. The program would be housed along with WAP and SEP, under Weatherization and Intergovernmental Programs.

² NEMWI analysis of DOE data, 2015.

³ Ibid.

Aquatic Resources

Restoration and protection of the region’s remarkable Great Waters (including the Great Lakes, Chesapeake Bay, and Upper Mississippi River) is essential to sustaining and building the region’s attractiveness and economic output. This year’s budget request decreases funding for the Great Lakes Restoration Initiative and the Chesapeake Bay Program, but increases discretionary and mandatory funding for the Land and Water Conservation Fund.

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

Agency: Environmental Protection Agency

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Initiative:

- Supports cleanup of contaminated Areas of Concern, restoration of habitat, nutrient and runoff control, and invasive species prevention and control, among other priorities

The FY2017 Request: While the budget request calls for a significant cut to GLRI, it is expected that Congress will continue to look to fund GLRI at the current \$300 million level. The Administration has proposed similar reductions in past budget requests only to have Congress restore funding to the previous levels.

Along with providing additional Great Lakes funding to federal agencies, such as the Environmental Protection Agency, Department of Agriculture, U.S. Coast Guard, U.S. Geological Survey, U.S. Army Corps of Engineers, and National Oceanic and Atmospheric Administration, the FY2017 GLRI request lists several multi-agency priorities. They include: \$30 million to address Areas of Concern in the Great Lakes, \$13 million to combat invasive carp, \$800,000 to reduce nutrient runoff, and \$3.6 million for habitat and species restoration.

Program	2016	REQ 2017	Change
GLRI	\$300m	\$250m	-16.7%

- **Chesapeake Bay Program**

Agency: Environmental Protection Agency

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Program:

- Regional partnership between the U.S. Environmental Protection Agency (EPA), Delaware, Maryland, New York, Pennsylvania, Virginia, West Virginia, and the Chesapeake Bay Commission
- Coordinates the restoration of the Chesapeake Bay and its watershed

The FY2017 Request: The budget request focuses resources toward the EPA-led interagency Federal Leadership Committee to implement the President’s Executive Order on Chesapeake Bay Protection and Restoration. The EPA will continue its oversight of the Chesapeake Bay Total Maximum Daily Load as Watershed Implementation Plans are developed under the Bay Watershed Agreement signed by the EPA and federal partners in June 2014.

Program	2016	REQ 2017	Change
Chesapeake Bay	\$73m	\$70m	-4.1%

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

Agency: Departments of Interior and Agriculture

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Fund:

- For states' recreation planning and facilities, land acquisition, and water resource protection
- Main federal program employed to: acquire new lands; preserve private farm, ranch, and forest land; and increase urban park sizes and numbers

The FY2017 Request: The budget request includes \$475 million in discretionary funds and \$425 million mandatory funding. It also pursues permanent authorization in annual mandatory funding beginning in FY2018.

Program	2016	REQ 2017	Change
LWCF	\$450m ⁴	\$900m	+100%

- **U.S. Geological Survey Water Resources Programs**

Agency: Department of Interior

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Programs:

- Collect and deliver hydrologic data, model and analyze hydrologic systems, and conduct research and development leading to new methods for gathering water data
- Primary source of federal funding for water monitoring and research; leverages funds from State, tribal, and local partners

The FY2017 Request: The budget requests a total increase of \$17 million for these programs, including the following specific increases: +\$450,000 for unconventional oil and gas research, +\$717,000 for enhanced cooperative activities and urban water studies, and +\$1.9 million supporting the National Water Quality Assessment Project Cycle 3.

Program	2016	REQ 2017	Change
USGS Water Resources	\$211m	\$228m	+8.1%

⁴ Discretionary.

Water and Transportation Infrastructure

The NEMW region’s water and transportation infrastructure face serious challenges. States and localities rely on the support of the federal government to protect residents’ health and safely transport people and goods. This year’s budget request includes a mixture of increased and decreased funding levels for regionally-relevant water and transportation infrastructure programs under the Environmental Protection Agency, Army Corps of Engineers, and Department of Transportation.

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

Agency: Environmental Protection Agency

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Funds:

- Federal-state partnerships that financially support water systems (Drinking), state safe water programs (Drinking), and water quality infrastructure projects (Clean)
- In FY2015, NEMW states were obligated 35% of the Drinking Water SRF and 51% of the Clean Water SRF⁵
- The landscape of water infrastructure funding may undergo substantial change in the wake of the Flint Water Crisis as new legislation and increased funding levels are introduced and considered for Drinking Water and Clean Water SRFs, the Water Infrastructure Finance and Innovation Act (WIFIA) Program, and new programs targeting reduction of lead in drinking water

The FY2017 Request: The request includes an increase of \$157 million for the Drinking Water SRF, which will result in funding for approximately 71 more drinking water infrastructure projects than in FY2016. The requested decrease of \$414 million for the Clean Water SRF will mean approximately 170 fewer wastewater infrastructure projects.

Program	2016	REQ 2017	Change
Drinking Water SRF	\$863.3m	\$1,020.5m	+18.2%
Clean Water SRF	\$1,393.9m	\$979.5m	-29.7%

- **Army Corps of Engineers**

Agency: Department of Defense

Appropriations Subcommittee: Interior, Environment, and Related Agencies

- The **Harbor Maintenance Trust Fund (HMTF)** is used for operation and maintenance activities in commercial harbors, like those critical to the NEMW region’s economy. The fund is supported by a maritime transportation system users tax. While the Administration cites that the \$950 million requested for the HMTF in FY2017 is the highest ever requested for this account, it is still well below what Congress appropriated for the HMTF in FY2016. Members of Congress from coastal and port districts will likely fight to maintain at least level funding for the HMTF during the appropriations process.

Program	2016	REQ 2017	Change
HMTF	\$1,254m	\$950m	-24.2%

⁵ NEMWI analysis of EPA data, 2016.

- **Key Continuing Projects (Army Corps)**

- *Great Lakes & Mississippi Interbasin Study (GLMRIS)*

The President's budget request calls for \$2.6 million to continue GLMRIS, which is evaluating a range of options to prevent the spread of invasive species into the Great Lakes through aquatic pathways contained within the Chicago Area Waterway System (CAWS). Specifically, the budget requests \$2.3 million for analysis and review related to the Brandon Road Lock and Dam, with the remaining \$300,000 going toward program management. In FY2016, the Army Corps included a total of \$1 million toward the Brandon Road site.

- *Chicago Sanitary and Ship Canal Dispersal Barriers*

The FY2017 budget request calls for \$12 million for the operation and maintenance of an electric barrier system at the Chicago Sanitary and Ship Canal. The barrier system, which is made up of three electric barriers aimed at deterring invasive aquatic species from entering the Great Lakes through the Mississippi River basin, received past funds through the Army Corps construction account to finish building a permanent barrier (Barrier I). The Army Corps provided \$28 million for this project in FY2016, approximately \$16 million was to finish construction on the barriers, while \$12 million was included for the operation and maintenance of the barriers. The construction is scheduled to be completed in FY2017 using FY2016 funds.

- **"21st Century Regions" Approach:** The Department of Transportation proposes a series of new, multimodal programs under the Federal Highway Administration, including a "21st Century Regions" grant program that would support investment decisions using a "21st Century Regions" approach. The approach would take into account the fact that Americans are increasingly choosing to live in metropolitan areas and megaregions that often cross state lines by directing money through regional governments such as Metropolitan Planning Organizations, not just states.

Neighborhood and City Revitalization

The state of the region’s neighborhoods and cities are markers of the well-being of their residents and the health of the region’s economy. This year’s budget request decreases funding for Community Development Block Grants and the Neighborhood Reinvestment Corporation, maintains stable funding but includes a programmatic change for the HOME Investment Partnerships Program, and increases funding for Choice Neighborhoods Grants and Brownfields Projects.

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

Agency: Department of Housing and Urban Development

Appropriations Subcommittee: Transportation, Housing and Urban Development, Related Agencies

About the Program:

- Funds a wide range of activities directed toward neighborhood revitalization, economic development, and community services
- In FY2015, NEMW states were allocated 45% of all CDBG funding⁶

The FY2017 Request: A \$200 million decrease is requested for CDBG. The request includes plans for a set of regulatory and legislative reforms to CDBG, such as improvements in grantee eligibility and accountability and aligning program cycles. Additionally, in 2016, the Administration will begin developing an authorization proposal for the provision of CDBG-Disaster Recovery (DR) funds (separate from regular block grant funds) to better respond to communities impacted by major disasters. This proposed authorization would “... provide clarity and predictability over CDBG-DR funding and program guidelines, and improve the alignment of CDBG-DR funds with other federal disaster programs.”

Program	2016	REQ 2017	Change
CDBG	\$3,000m	\$2,800m	-6.7%

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

Agency: Department of Housing and Urban Development

Appropriations Subcommittee: Transportation, Housing and Urban Development, Related Agencies

About the Program:

- 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
- In FY2015, NEMW states were allocated 41% of all HOME funds⁷

The FY2017 Request: The request of \$950 million is the same as the appropriated amount for FY2016. However, in FY2017, \$10 million would be set aside for the Self-help Homeownership Opportunity Program (SHOP). The FY2016 enacted level funds HOME at \$950 million and SHOP separately at \$10 million.

Program	2016	REQ 2017	Change
HOME	\$950m	\$950m	n/a

⁶ NEMWI analysis of HUD data, 2015.

⁷ Ibid.

- **Choice Neighborhoods Grants (Choice)**

Agency: Department of Housing and Urban Development

Appropriations Subcommittee: Transportation, Housing and Urban Development, Related Agencies

About the Program:

- Funds the development and implementation of comprehensive local plans to transform neighborhoods of poverty into viable mixed-income neighborhoods
- Flint, Gary, and Milwaukee are among the most recent grantees

The FY2017 Request: The requested increase of \$75 million would allow the agency to fund approximately six implementation grants and five to ten planning grants.

Program	2016	REQ 2017	Change
Choice	\$125m	\$200m	+60%

- **Neighborhood Reinvestment Corporation (NRC)**

Appropriations Subcommittee: Transportation, Housing and Urban Development, Related Agencies

About the Program:

- Community/public/private partnership operating under name “NeighborWorks America” since 1978
- Provides financial support, technical assistance, and training for affordable housing and community-based revitalization efforts

The FY2017 Request: Due to overall improvements in national foreclosure rates, the Administration will not seek funding for the National Foreclosure Mitigation Counseling Program in FY2017, accounting for the requested \$35 million decrease from the FY2016 level. NeighborWorks America will, however, continue to support post-foreclosure recovery and community stabilization strategies.

Program	2016	REQ 2017	Change
NRC	\$175m	\$140m	-20%

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

Agency: Environmental Protection Agency

Appropriations Subcommittee: Interior, Environment, and Related Agencies

About the Program:

- Provides funding for a recipient to inventory, characterize, assess, and conduct planning and community involvement related to brownfield sites and/or to carry out cleanup activities at brownfield sites

The FY2017 Request: With a \$10 million increase in funding, the EPA plans to fund at least 97 assessment cooperative agreements and approximately 38 direct cleanup cooperative agreements. In FY2017, the EPA will prioritize ongoing efforts to target small and rural communities and fund new Tribal grantees.

Program	2016	REQ 2017	Change
Brownfields Assess/Clean	\$80m	\$90m	+12.5%

- **Upward Mobility Project:** As in last year’s budget request, the President proposes a new “Upward Mobility Project.” With a funding request of \$1.5 billion over five years, the initiative would allow up to ten eligible grantees 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 implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children's outcomes, and the ability of communities to expand opportunity.