

February 2010

President Obama Unveils \$3.8 Trillion Budget Proposal

The Obama Administration released a \$3.8 trillion Fiscal Year (FY) 2011 budget proposal to Congress February 1. The plan includes \$1.415 trillion in discretionary spending and projects an FY10 deficit of 1.56 trillion. It also includes policies to achieve \$1.2 trillion deficit reduction over 10 years (excluding war savings), more than \$300 billion in tax cuts over 10 years and \$100 billion for immediate job-creating investments in infrastructure, clean energy and small business tax cuts.

Discretionary spending is broken into two categories: security and non-security spending. Security spending would increase by 5.2 percent to \$719.2 billion, while non-security spending would drop by \$5 billion, or 1.1 percent to \$441.3 billion.

Congress has begun hearings on the proposed budget. Following is an overview of the budget's proposals for various public works and infrastructure programs.

Transportation

The proposed budget includes \$79 billion for the US Department of Transportation (DOT) and its programs, about a \$2 billion increase over the current year.

- Recommends extending the current SAFETEA-LU authorization through March 2011. SAFETEA-LU, the federal surface transportation law, expired September 30, 2009. The budget states that during this extension period the Administration will work with Congress to reform surface transportation programs and put the system on a viable financing path. A temporary extension expires February 28.
- Proposes \$4 billion to create an infrastructure bank. The National Infrastructure Innovation and Finance Fund would invest in projects of regional or national significance. Established as a new operational unit within DOT, the fund would provide resources for projects through, grants, loans or a blend of both and will leverage non-federal resources, including private capital.
- Proposes establishing a new \$30 million Transit Safety Program. The Administration late last year proposed legislation to establish nationwide safety standards and for federal enforcement of those standards.
- Proposes \$527 million for livable communities. As part of the Partnership for Sustainable Communities' multi-agency initiative with the Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD), the funding will assist state and local governments to invest in transportation that helps advance sustainable development.

- Proposes \$1 billion to sustain large-scale multi-year support for high-speed rail. The economic recovery act provided \$8 billion for high speed rail.
- Proposes small increases for highway and transit funding. Highway funding would increase by about \$200 million from \$41.1 billion in FY10 to \$41.3 billion in FY11. The funding includes \$200 million for a competitive Livable Communities grant program. Transit funding would increase by about \$70 million, from \$10.73 billion in FY10 to \$10.8 billion in FY11.
- Proposes \$20 million to establish an Office of Livable Communities in the Office of the Secretary. The office would coordinate multimodal and interagency (HUD and EPA) livability efforts and lead DOT's investment decisions that focus on livable communities.
- Proposes \$1.14 billion, more than a 30 percent increase from 2010, for the Next Generation Air Transportation System, the Federal Aviation Administration's long-term effort to improve safety, efficiency and capacity of the aviation system.

Environment

Environmental Protection Agency

The President proposed a budget of \$10 billion for the Environmental Protection Agency, a three percent cut from FY 2010 enacted levels. The proposal trims the agency's operating budget, water infrastructure loan programs and Superfund programs.

- Proposes \$1.3 billion for the Superfund program to clean up contaminated sites.
- Proposes \$215 million for the Brownfields program to clean up abandoned commercial and industrial sites.
- Proposes \$27 million for the Healthy Communities initiative to address community water priorities, promote clean, green and healthy schools; improve air toxics monitoring in at risk communities and encourage sustainability by helping to ensure that policies and spending at the national level do not adversely affect the environment and public health or disproportionately harm disadvantaged communities.
- Proposes \$43 million for efforts to address climate change and work toward a clean energy future, including implementing the greenhouse gas reporting rule; provide technical assistance to ensure that any permitting under the Clean Air Act will be manageable; perform regulatory work for the largest stationary sources of Greenhouse Gas (GHG) emissions; develop standards for mobile sources such as cars and trucks and continue research of carbon capture and sequestration technologies.
- Proposes \$3.3 billion for water and wastewater infrastructure programs, down from \$3.5 billion in FY 2010.
- Proposes \$1.3 billion or a 14 percent increase in State Tribal Assistance Grants for clean air and water grants to states and tribes.

U.S. Army Corps of Engineers

The President's budget proposal recommends a 10 percent cut to the Army Corps of Engineers' budget for FY 2011. The Army Corps would receive \$4.9 billion, down \$5.4 billion from FY 2010.

- Proposes \$2.4 billion for operating and maintaining existing projects.
- Proposes \$15 million to expand a national database of federal levees.
- Proposes \$10 million for a program to assess the effects of climate change on civil works projects.

- Proposes \$1.7 billion for the construction budget.
- Proposes \$30 million in funding for flood control and coastal emergencies.
- Proposes \$193 million for agency regulatory program.

Homeland Security

The proposed budget includes \$56.34 billion for the US Department of Homeland Security and its programs, which is a \$1.13 billion or 2.68 percent increase.

- Proposes \$2.36 billion for the National Protection and Programs Directorate, an increase of \$402.7 million. The National Protection and Programs Directorate leads the protection and risk reduction for the Nation's physical and virtual critical infrastructure and key resources from man-caused disasters, natural disasters and other catastrophic incidents.
- Proposes \$10.5 billion, an increase of \$48.7 million, for the Federal Emergency Management Agency.
- Proposes \$1.95 billion for the Disaster Relief Fund, an increase of \$0.35 billion. The Disaster Relief Fund provides a portion of the total federal response to victims in declared major disasters and emergencies.
- Proposes \$4 billion for State and Local Programs, an increase of \$985.3 million compared to FY 2010. These grants provide training, exercises and technical assistance to improve emergency planning, response and recovery efforts. Specific state and local grant programs received the following allocations:
 - State Homeland Security Grants – \$1.05 billion, an increase of \$100 million.
 - Regional Catastrophic Planning Grants – \$35 million, an increase of \$1 million.
 - Emergency Management Performance Grants - \$345 million, an increase of \$5 million.
 - Urban Area Security Initiative – \$1.1 billion, an increase of \$248 million.
 - Transportation and Infrastructure Protection Grants – \$600 million, an increase of \$12 million.
 - Citizen Corps, Interoperable Emergency Communications and Emergency Operations Centers did not receive and funding for FY 2011.
- Proposes \$100 million for Pre-Disaster Mitigation Grants, a decrease of \$135 million. Pre-Disaster Mitigation Grants provide program support and technical assistance to state, local and tribal governments to reduce the risks associated with disasters, support the national grant competition, and provide the required \$500,000 per state allocation. Funds will support the development and enhancement of hazard mitigation plans and the implementation of pre-disaster mitigation projects.
- Proposes \$169 million for the National Flood Insurance Fund, an increase of \$23 million. The National Flood Insurance Fund provides necessary resources to operate the National Flood Insurance Program.
- Proposes \$194 million for Flood Map Modernization, a decrease of \$26 million. Flood Map Modernization funding will support the review and update of flood hazard data and maps to accurately reflect flood hazards and monitor the validity of published flood hazard information. This funding will support the review and update of flood hazard data and maps.

EPA Holds Listening Sessions on National Stormwater Rulemaking

In late December 2009, the Environmental Protection Agency (EPA) issued a Federal Register (74 FR 68616 (Dec. 28, 2009)) notice announcing agency plans to establish a comprehensive program to reduce post construction stormwater discharges from new development and redevelopment projects. The agency held a series of five listening sessions across the country seeking information regarding performance, effectiveness and cost of stormwater control measures; ecological data, including ecological benefits from stormwater controls; technical information on design, implementation and operation and maintenance of stormwater control measures; and suggestions for how the existing program may be modified to help EPA develop improvements to the existing program, including better control of pollutants in stormwater from the build environment created by development and redevelopment.

At the listening sessions, agency officials heard comments from various stakeholder groups, including MS4 permit holders, industry and utility representatives and watershed protection groups. Many of the speakers cautioned EPA to avoid a “one size fits all” regulatory approach, to be mindful of the increased regulatory costs to MS4 permit holders and to provide the maximum flexibility on how stormwater is treated in the new rules. EPA intends to publish summaries of all of the comments received at the five listening sessions at <http://www.epa.gov/npdes/stormwater/rulemaking.cfm#stakeholder>. The agency is also accepting written comments on the plan to establish a comprehensive program to reduce post construction stormwater discharges from new development and redevelopment projects. Written comments must be submitted on or before February 26, 2010.

Reporting Guidelines for EECBG Program Released

The American Recovery and Reinvestment Act (ARRA) provided investment in energy efficiency and renewable energy activities designed and implemented by States, Territories, units of local government and Indian Tribes through the Energy Efficiency Conservation Block Grant Program (EECBG). The Department of Energy recently proposed monthly reporting requirements for recipients of EECBG funds and the guidance contains performance measurement guidelines for quarterly reporting to the Office of Management and Budget. The new reporting requirements apply solely to formula grantees receiving more than \$2 million in EECBG funds. Reports should address the total amount of ARRA funds received, the amount of ARRA funds expended or obligated to projects or activities, a detailed list of all projects or activities for which ARRA funds were expended or obligated and information on any subcontracts or subgrants awarded by the recipient. The first monthly reports are due March 10. Additional information is available at http://apps1.eere.energy.gov/wip/draft_recovery_act_reporting_guidance.cfm.

DOT Moves Forward on Livability Goals

The Department of Transportation recently announced changes to the selection criteria for transit projects to emphasize reduced carbon emissions and other environmental goals. The changes apply to the Federal Transit Administration’s New Starts and Small Starts programs and significantly changes how major public transportation projects are selected for federal funding by

adding environmental gains and economic development to the existing primary selection criteria to the existing primary selection criteria of time saved and total cost. The new changes rescind a previous restriction that focused transit project selection on how much a project was expected to shorten commute times relative to the project's overall cost. To see the announcement visit: http://fta.dot.gov/news/news_events_11036.html.

EPA Announces New Support for Sustainable Communities

EPA announced new steps to support communities' efforts to promote economic opportunity while reducing impacts on the environment. EPA announced the creation of a new Office of Sustainable Communities to encourage communities to take an integrated approach in making environmental, housing and transportation decisions. Additionally, EPA announced a new pilot grant program designed to help New York, California and Maryland use their clean water funding programs to support efforts to make communities more sustainable. The agency also announced a pilot program to clean up and redevelop contaminated sites in coordination with communities' efforts to develop public transportation and affordable housing. The new Office of Sustainable Communities will help create neighborhoods that offer good jobs, educational opportunities, safe and affordable housing and transportation options while minimizing their impact on the environment. More information on the Partnership for Sustainable Communities is available at <http://www.epa.gov/smartgrowth/partnership>.

DHS Secretary Issues Final Rule on Special Community Disaster Loans

On January 19, the Federal Emergency Management Agency (FEMA) issued a final rule that amends the Special Community Disaster Loan (CDL) Program to include loan forgiveness procedures and requirements for communities damaged by Hurricanes Katrina and Rita. The final rule takes effect on March 22, 2010. To read the final rule, visit the Federal Register's website: <http://edocket.access.gpo.gov/2010/pdf/2010-685.pdf>

Initially, Congress provided additional loan authority to FEMA to assist communities that were severely impacted by the hurricanes. According to the Department of Homeland Security (DHS), FEMA provided over \$1.276 billion in Special CDLs to communities in Mississippi and Louisiana. However, Congress prohibited FEMA from forgiving the loans.

In a 2009 DHS press release, the proposed rule was initiated by Secretary Napolitano which came as result of her trip to the Gulf Coast earlier in March. Napolitano observed that while "tremendous progress has been made to help the Gulf Coast region recover . . . it is abundantly clear that communities are struggling to meet the challenges faced by the economy and the remaining challenges posed by Hurricanes Rita and Katrina . . . With this effort, we are close to helping our Gulf Coast communities rebuild, recover and get back on their feet."

DHS Releases Quadrennial Homeland Security Review

On February 2, the Department of Homeland Security (DHS) released its first Quadrennial Homeland Security Review (QHSR). According to DHS, “the QHSR acknowledges existing relationships, roles and responsibilities, and seeks to set forth a shared vision of homeland security.” The report emphasizes that Federal, state, local and tribal governments and the private sector are all responsible for protecting the Nation. Specifically, the QHSR outline five homeland security missions: 1) Preventing terrorism and enhancing security; 2) Securing and managing borders; 3) Enforcing and administering our immigration laws; 4) Safeguarding and securing cyberspace; 5) Ensuring resilience to disasters.

The QHSR is the beginning of a multi-step process. The next step, which is currently underway, is a bottom-up review of DHS which will align the programmatic activities and organizational structure of the Department with the strategic framework set out in the QHSR. The third and final step of this process will culminate in the DHS’s 2012 budget submission.

Between July 16 and October 4, 2009, more than 20,000 stakeholders—including APWA—participated in the National Dialogue on the QHSR. The comments and ideas submitted were to inform study groups tasked with writing the QHSR which was delivered to Congress. The QHSR was mandated under section 2401 of the Implementing the Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53).

To learn more about the QHSR and read the report click here:

http://www.dhs.gov/xabout/gc_1208534155450.shtm.

FEMA Releases Draft of National Disaster Recovery Framework

On February 5, the Federal Emergency Management Agency (FEMA) and the Long Term Disaster Recovery Working Group released a draft of the National Disaster Recovery Framework (NDRF). The draft NDRF provides detailed operations guidance for disaster recovery which is applicable to all levels of government and sectors of communities with recovery responsibilities.

The public comment period for the draft NDRF will run from February 10 through February 26. To view the Federal Register notice, click here: <http://edocket.access.gpo.gov/2010/pdf/2010-2970.pdf>

This opportunity for public comment is a continued effort by the Long Term Disaster Recovery Working Group to engage stakeholders in the creation of the NDRF. Founded in September 2009, the Work Group—which is co-chaired by the Secretaries of the Departments of Homeland Security and Housing and Urban Development—has been reaching out to stakeholders seeking input on disaster recovery management issues. APWA’s Emergency Management Committee has been proactive providing input.

Smaller Senate Jobs Bill Includes Transportation Extension

In an effort to secure bipartisan support, Senate Democratic leaders have opted to move forward with a scaled back Senate jobs bill that includes a 10-month extension of expired surface transportation law and an expansion of the Build America Bond program.

Senate Majority Leader Harry Reid (D-NV) presented the latest proposal February 11th only hours after Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Charles Grassley (R-IA) had unveiled a separate measure totaling \$85 billion in tax cuts and spending.

The Reid proposal focuses on four elements of the Finance Committee plan: exemption from payroll taxes for businesses that hire new employees; certain deductions for small businesses; the extension of surface transportation programs and the Build America Bond program.

Like the Baucus-Grassley plan, the Reid proposal extends federal highway and transit program funding through December 2010. The current extension expires February 28th. It also includes provisions repealing an \$8.7 billion rescission of unobligated balances of contract authority and provisions transferring \$19.5 billion from the general fund to help shore up the Highway Trust Fund. The Baucus plan included the transfer to reimburse the Trust Fund foregone interest payments since 1998.

The Reid plan also includes provisions allowing tax credit bonds to be converted to Build America Bonds. Build America Bonds provide qualifying issuers a direct payment from the Treasury for a portion of the interest paid on the bond for government works projects. The provision would allow qualifying issuers of tax credit bonds the option of issuing tax credit bonds under current law, or utilizing the direct subsidy Build America Bond structure for bonds issued after the date of enactment. The federal subsidy would equal 45 percent of the borrowing cost (65percent for qualifying small issuers).

The Senate bill, which is expected to be considered the week of February 22, includes no direct funding for infrastructure. The House of Representatives passed a \$154 billion jobs bill, the Jobs for Main Street Act of 2010 (HR 2847), in December. It includes \$48.3 billion in federal funding for infrastructure. It also includes an extension of surface transportation programs through September 2009.