

Eyes on Washington®

February 22, 2011

In This Issue:

- President's FY12 Budget Saves \$1.1 Trillion Over Ten Years
- EPA Brownfields Grant Funding Update

President's FY12 Budget Saves \$1.1 Trillion Over Ten Years

President Obama released his [FY12 budget proposal](#) on February 14, 2011. The budget makes considerable cuts in an attempt to reduce the national deficit, but includes spending increases for the President's top priorities, which promote U.S. competitiveness and involve education, infrastructure, clean energy, innovation and research. The budget saves \$1.1 trillion over 10 years, with two-thirds of the savings coming from spending cuts and one-third from tax increases.

1. Major Program Reductions or Terminations

More than 120 terminations, reductions and other savings are identified in the President's FY12 budget; in total, they will save approximately \$20 billion each year. The following is a list of major program reductions or terminations, along with the amount of savings in millions of dollars as compared to FY10 spending levels. For more information, visit the [full list of terminations, reductions and savings](#).

- \$2,530 million in savings by reducing spending for the Low-Income Home Energy Assistance Program (LIHEAP)
- \$1,091 million in savings by reducing grants for large and medium-sized hub airports
- \$947 million in savings by reducing grants to states for clean water revolving funds (SRF)
- \$375 million in savings by reducing spending for the Senior Community Service Employment Program
- \$350 million in savings by reducing spending for Community Service Block Grants (CSBG)
- \$337 million in savings by terminating earmarked healthcare facilities construction projects
- \$317 million in savings by reducing spending on low-priority Army Corp of Engineers projects
- \$299 million in savings by reducing spending for Community Development Block Grants (CDBG)

- \$264 million in savings by consolidating and reducing spending on career and technical education programs
- \$200 million in savings by eliminating the HOPE VI Program
- \$150 million in savings by reducing the HOME Investment Partnerships Program

2. Priority Spending

The following section details proposed spending for the President's priorities in education, infrastructure and clean energy. The information included is narrow in scope. However, all agencies have released their budget books online and are great resources for a program-by-program overview. If you have questions regarding the content below or programs not mentioned in this edition of *Eyes on Washington*, contact your local Holland & Knight representative for more information.

Education

Below is a selective list of funding allotted for the President's education initiatives. For more information, please visit the [Department of Education's FY12 Budget](#).

- \$350 million for a new Early Learning Challenge Fund
- \$300 million for a new Title I Rewards program and \$250 million more for special education grants
- \$54 million increase to turn around low-performing schools (for a total of \$60 million)
- \$900 million for a new round of Race to the Top grants
- \$300 million for a new round of Investing in Innovation grants
- \$150 million for the Promise Neighborhoods program, which integrates educational and social services in targeted communities
- \$100 million increase for 21st Century Community Learning Centers (for a total of \$1.27 billion)

- \$175 million in competitive grants to boost college completion
- \$4.3 billion for teacher and leader preparation programs
- \$90 million for a new research and development program and a \$60 million increase for research and evaluation programs at the Institute of Education Sciences (IES)

Infrastructure

Below are highlights from the [Department of Transportation's FY12 Budget](#) and other infrastructure investments.

- **Establishing a National Infrastructure Bank:** Five billion dollars is included in the FY12 budget to provide credit assistance in the form of grants and loans to leverage transportation funding. DOT plans to provide \$30 billion for the bank over a six-year period. Eligible projects include: multimodal projects for highway, transit, rail and aviation, including equipment, ports and maritime initiatives.
- **Transportation Leadership Awards:** This is a new DOT initiative modeled after the successful Department of Education program, Race to the Top. The budget proposes \$32 billion that can be awarded to states and regions for efforts such as the development of multimodal transportation systems.
- **Surface Transportation Reauthorization:** DOT considers the FY12 budget proposal to be the first installment of a six-year, \$556 billion transportation reauthorization bill. The FY12 budget proposal also includes \$50 billion to front-load the reauthorization process. Of the \$50 billion, \$25 billion is designated for critical highway infrastructure, \$450 million for Transportation Infrastructure Finance and Innovation (TIFIA) and \$3.35 billion for airport grants and FAA facilities and equipment.
- **New Starts Pipeline:** The administration looks to keep the New Starts Pipeline moving forward and provides \$3.469 billion for a joint New Starts/Livable Communities Program, the Transit Expansion and Livable Communities Program. Under this new title, the joint program seeks to provide greater access to transit for cities and rural areas, and to coordinate transit with housing and economic development planning. The New Starts Program also establishes a new category called "Other," which is intended to help fund projects that are in the earlier stages of development.
- **High-Speed Rail:** The budget consolidates Capital Assistance for High-Speed Rail and Amtrak into two new accounts: Network Development and System Preservation & Renewal. Together, \$8 billion is proposed for these programs. This is one example where DOT's budget relocates

accounts from the discretionary general fund to the mandatory trust fund. It is an effort to protect transportation investments such as rail projects.

- **Build America Bonds:** These would be reinstated and made permanent, but the direct subsidy paid to local governments would be reduced from 35 percent to 28 percent of the interest on the bonds.

Clean Energy

Below are highlights from the President's clean energy initiative. For more information regarding the Department of Energy's budget, visit the [DOE Budget Book](#).

FY10 Baseline: \$2,216,392

FY12 Request: \$3,200,053

The Department of Energy's Office of Energy Efficiency and Renewable Energy is proposed for a \$1 billion increase (44 percent). This funding will support initiatives announced in the State of the Union address, including the Race to the Top competitive grant program to encourage communities to improve readiness to adopt electric vehicle technology. Also included in this funding is the Better Buildings Initiative, which will go toward guaranteed loans for energy efficiency retrofits of universities, hospitals and schools, and competitive grants for state and municipal governments to improve and streamline codes, performance standards and regulations relating to commercial energy efficiency.

The President also has requested \$650 million for the Advanced Research Projects Agency – Energy, including \$100 million for funding innovation in wireless technology to complement the President's Wireless Innovation and Infrastructure Initiative. Please reference the [ARPA-E Budget Book](#) for more information.

3. Additional Program Investments

The President's budget also includes investments in several programs that pertain specifically to cities and local governments. These programs include the following:

- **HUD Homeless Program:** This would increase by \$507 million, from \$1.865 billion in FY 10 to \$2.372 billion in FY12.
- **Section 8 Tenant Based:** This would increase by \$1.039 billion, from \$18.184 billion to \$19.223 billion in FY12.
- **Choice Neighborhoods:** This would receive \$250 million and replace the HOPE VI program, which is being proposed for elimination.
- **COPS Hiring and Retention:** This would double from \$298 million in FY10 to \$600 million in FY12.

- **Public Safety Communications:** This calls for incentive auctions over the next 10 years of up to 500 megahertz of federal and non-federal spectrum, and proposes investing \$7 billion of the expected receipts in the development of a nationwide interoperable broadband network for public safety.
- **Health Reform Prevention and Public Health Fund:** This would consolidate existing programs into a \$752 million new trust fund as called for in the Affordable Care Act to consolidate and streamline prevention activities.
- **Child Nutrition Programs:** This would increase funding by \$2 billion.
- **Land and Water Conservation Fund:** This would receive a 200 percent increase in the stateside program, from \$40 million to \$120 million.
- **Firefighter Assistance Grants:** This would be funded at \$670 million next year, 17 percent less than the \$810 million available in FY10. Within this, SAFER hiring grants would receive \$420 million, up from the \$390 million available last year, and Assistance to Firefighter Grants would receive \$250 million, down from the \$420 million available last year. Department of Homeland Security (DHS) documents indicate that the funding proposed for SAFER would be used to rehire laid-off firefighters and retain veteran first responders, and would be sufficient for 2,300 firefighter positions.

4. Key Dates in the Budget Process

Feb. 14: President Obama submits his FY12 budget request to Congress.

Feb. 15: Congressional committees begin hearings on the President's budget request.

April 15: Statutory deadline (although frequently missed) for Congress to complete its annual budget resolution. The resolution sets a limit on discretionary spending and may include instructions for a reconciliation bill.

May 15: The date after which the House may consider FY12 appropriations bills even if a final budget resolution has not been adopted.

June 24: The last day before the House begins its Independence Day recess; the informal deadline that House leaders traditionally have set for passing all 12 regular appropriations bills.

Mid-July: The President submits his mid-session review of the budget to Congress, which includes revised deficit estimates.

Aug. 8 (beginning of the Senate's summer recess): The Senate's informal deadline for passing all 12 spending bills.

Mid-August: The Congressional Budget Office issues updated budget and deficit projections.

Sept. 6: The House and Senate return from their summer recess with 25 days to negotiate their differences and clear all appropriations bills before the new fiscal year.

Oct. 1: FY12 begins. A continuing resolution would be required to finance any agency whose appropriations bill has not been enacted.

EPA Brownfields Grant Funding Update

The EPA Inspector General issued a [report](#) on February 14, 2011, auditing the recipients of 35 EPA brownfields grants. The results found that all had conducted deficient Phase I Environmental Site Assessments (ESAs). As a result, EPA is threatening to seek recoupment of that grant funding. The report has generated a firestorm of discussion regarding deficient Phase I ESAs and the types of corrective measures EPA may implement in light of these findings. If you are a municipal client who has received brownfields grant funding in the past or who may be seeking brownfields grants in the future, please contact your local Holland & Knight representative to discuss in detail the EPA Inspector General's report. Our Environment Team is well equipped to assist in this area, and can help to ensure that brownfields projects are consistent with industry standards. For a brief overview of the report, please visit the [EPA One-Pager](#).

We are continuously monitoring and analyzing updates involving the President's FY12 budget. More information regarding the CR will be released later this week. Please contact your Holland & Knight representative if you have questions.

About Our Public Policy & Regulation Practice

Holland & Knight's Public Policy & Regulation Group uses its in-depth understanding of governmental operations and political perspectives to help advance our clients' strategic objectives and solve problems. As advocates for our clients, we are committed to helping shape public policy decisions through careful, strategic positioning combined with a deep understanding of our clients' evolving needs. Our team offers depth, diversity and a bipartisan approach that adapts well to changes in the political climate.

About Holland & Knight

Holland & Knight is a global law firm with more than 1,000 lawyers in 18 U.S. offices as well as Abu Dhabi, Beijing and Mexico City. Holland & Knight provides representation in litigation, business, real estate and governmental law. Our interdisciplinary practice groups and industry-based teams ensure clients have access to attorneys throughout the firm, regardless of location.