

## Winning the Future for Cities and Metropolitan Areas

Having emerged from the worst recession in generations, the President has put forward a plan to rebuild our economy and win the future by out-innovating, out-educating, and out-building our global competitors and creating the jobs and industries of tomorrow. But we cannot rebuild our economy and win the future if we pass on a mountain of debt to our children and grandchildren. We must restore fiscal responsibility, and reform our government to make it more effective, efficient, and open to the American people. The President's 2012 Budget is a responsible approach that puts the nation on a path to live within our means so we can invest in our future – by cutting wasteful spending and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. It targets scarce federal resources to the areas critical to winning the future: education, innovation, clean energy, and infrastructure. And it proposes to reform how Washington does business, putting more federal funding up for competition, cutting waste, and reorganizing government so that it better serves the American people.

To win the future, America must invest in and revitalize our cities and metropolitan areas. The Budget proposes a series of coordinated investments around four key objectives: creating jobs and enhancing economic competitiveness, building 21<sup>st</sup> century infrastructure, making our communities stronger, and educating and training our workforce. Specifically, the Budget proposes making the following investments:

**Spur Job Creation and Support Strong Economic Growth.** While the economy has added jobs for each of the last 12 months, too many Americans families are still hurting and the unemployment rate is unacceptably high. That is why the Administration is continuing a series of targeted steps to spur job creation and economic growth in the short term in a fiscally responsible way. As 2010 ended, families across the Nation faced the prospect of rising taxes. The Administration not only prevented a tax increase, but also negotiated a series of measures to create jobs and protect vulnerable populations most affected by the recession by extending unemployment benefits for 13 months, preventing an estimated 7 million workers from losing their benefits as they search for jobs; allowing businesses to expense 100 percent of certain investments, which is estimated to generate more the \$50 billion in additional investment and fuel job creation; and continuing the Research and Experimentation Tax Credit and Continue Renewable Energy Grants which accelerate the growth of these promising industries and allow them to hire more workers. The Budget also proposes an upfront investment of \$50 billion in infrastructure as part of the Administration's surface transportation reauthorization proposal which will result in additional job creation from projects that improve the Nation's highway, transit, rail, airport, and the air traffic control systems, making the U.S. more competitive going into the future.

**Enhance Regional Economic Competitiveness.** Competitive, high-performing regional economies are the building blocks of national growth and can benefit from smarter policies. Through the Department of Commerce's Economic Development Administration (EDA) and other Federal agencies, the Administration will support regional cluster development, regional business plans, investment in science parks, and other activities authorized under the America

COMPETES Act to promote innovation, regional competitiveness, and employment growth. In addition, to bolster economic rejuvenation in hard-hit areas of our country, the Administration proposes a new Growth Zone program that will deliver expanded tax incentives for investment and employment and more streamlined access to government assistance to 20 economically distressed areas with growth potential. Replacing the Empowerment Zone program, the Growth Zones will include a mix of rural and urban areas that will be selected through a national competition that will judge their competitive strategies and their need and ability to attract investment and growth. The Budget also provides \$40 million through EDA to assist the selected zones with planning, seed capital, and technical assistance.

**Support Business Growth and Lending in Low-Income and Minority Communities.** Even in this constrained budget environment, the Administration continues to support robust funding for programs that improve the availability of credit in underserved and lower-income communities, and includes initiatives that target financial literacy and increase the availability of healthy foods in areas now lacking them. For example, the Budget provides \$227 million for the Treasury Department's Community Development Financial Institutions (CDFI) Fund, which provides capital to low-income communities across the Nation and is targeting a portion of its funds to help bring grocery stores and other healthy food retailers to underserved urban communities. To help entrepreneurs start businesses and create jobs in inner cities, the Budget also includes \$13 million to continue the Small Business Administration's (SBA) Emerging Leaders (formerly Emerging 200) initiative. The Budget also funds several initiatives designed to promote entrepreneurship in underserved areas including the Small Loan Advantage and Community Advantage programs and the Impact Fund within the Small Business Investment Company (SBIC) Impact Fund debenture program, which will support impact investments that target residents of economically distressed regions or owned by a socially or economically disadvantaged group.

**Provide Small Business Access to Credit and Technical Assistance.** The Administration is taking a series of steps to improve the access to capital for small businesses. First, the Budget supports \$16.5 billion in 7(a) loan guarantees, which will help small businesses operate and expand. This includes an estimated \$14.5 billion in term loans and \$2 billion in revolving lines of credit; the latter are expected to support \$48 billion in total economic activity through draws and repayments over the life of the guarantee. The Administration also supports \$7.5 billion in guaranteed lending for commercial real estate development and heavy machinery purchases; \$3 billion in SBIC debentures to support new businesses and new jobs through early-stage and mezzanine small business financing; and \$25 million in direct microloans, for intermediaries to provide small loans to emerging entrepreneurs and other borrowers unable to receive credit elsewhere.

**Modernize Urban Mass Transit.** In order to spur job creation and lay a foundation for future economic growth through greater and safer transportation choices for Americans and increased business development in communities, the Budget proposes an additional upfront boost of \$50 billion in transportation infrastructure investment, as part of its 6-year proposal for surface transportation reauthorization. More than 20 percent of this funding will go to supplement urban mass transit programs, traditionally funded by surface transportation authorization legislation. Consistent with the Administration's commitment to mass transit, the Budget

includes increases in several Department of Transportation (DOT) grant programs dedicated to mass transit investment, including Transit Formula Grants, Bus and Rail State of Good Repair Grants, Transit New Starts Capital Grants, and Greenhouse Gas/Energy Reduction Grants. These investments will increase transportation options, cut commuting time, ease congestion, reduce oil consumption, lower greenhouse gas emissions, and expand access to job opportunities and housing that's affordable. In addition, the Administration's reauthorization proposal will adopt a "Fix-It-First" approach, to emphasize the importance of preserving and improving the condition of existing transportation infrastructure.

**Establish a National Infrastructure Bank.** The Budget provides \$30 billion over six years to fund a National Infrastructure Bank (I-Bank) which will invest in those projects nationwide that have the most significant impact on our national and regional economies. For example, a project to improve road and rail access to a West Coast port would not only improve West Coast shipping capacity, but also improve market access for farmers in the Midwest. A cornerstone of the I-Bank's approach will be a rigorous project comparison method that transparently measures which projects offer the greatest return on investment to taxpayers and our economy. Eligible applicants will include States, localities, transportation agencies, and private entities.

**Expand Access to Rail.** The Budget proposes to invest \$53 billion over six years in passenger rail, from a new dedicated rail account of the expanded Transportation Trust Fund. This program will provide competitive grants to fund the development of a robust intercity passenger rail network comprised of core express (over 125 mph), regional (90 to 125), and emerging (up to 90 mph) corridors. These investments will support the President's goal of providing 80 percent of Americans with convenient access to a passenger rail system within 25 years. The Budget also proposes to merge Federal support for Amtrak into the larger rail program, so that the Federal government takes a coordinated approach to rail issues.

**Improve the Condition of Key Highways.** The Budget includes \$69.9 billion in 2012 (an increase of 70 percent from 2010 levels) and \$336 billion over six years (an increase of 48 percent over SAFETEA-LU) for the Federal Highway Administration. The proposal includes a new livability grant program (\$4.1 billion in 2012 and \$28 billion over six years) for projects like multi-modal transportation hubs (where different forms of transportation converge) and streets that accommodate pedestrian, bicycle and transit access.

**Invest in Regional and Community Planning Efforts for Sustainable Development.** The Budget sustains support for the multi-agency Partnership for Sustainable Communities, which aims to lower the cost of living while improving the quality of life for families and is one of the pillars of the Administration's place-based agenda. The Budget includes \$150 million to create incentives for more communities to develop comprehensive regional and local housing and transportation plans that result in sustainable development, reduced greenhouse gas emissions, and increased transit-accessible housing. Over 100 such grants have recently been awarded across the country by HUD, DOT, and the Environmental Protection Agency (EPA), and the additional funding proposed will enable more communities to benefit. As a part of this effort, up to \$5 million will be used to improve energy efficiency in HUD-assisted public and privately-owned housing through better energy use data collection and analysis. HUD's funds

are used in combination with DOT's funding for strengthening State and local infrastructure planning capacity and EPA's technical assistance.

**Invest in Smart, Energy-Efficient, and Reliable Electricity Delivery Infrastructure.** The Budget continues to support the modernization of the Nation's electrical grid, by investing in research, development, and the demonstration of smart-grid technologies that will spur the transition to a smarter, more efficient, secure and reliable electrical system. The end result will promote energy- and cost-saving choices for consumers, reduce emissions, and foster the growth of renewable energy sources like wind and solar. In addition, the Budget supports the Power Marketing Administration to reliably operate, maintain, and rehabilitate the Federal hydropower and transmission systems.

**Expand Access to and Improve Adoption of Broadband.** High-speed, wireless broadband is fast becoming a critical component of business operations and economic growth. The Budget proposes legislation to provide authority for "voluntary incentive auctions" that will enable spectrum licensees to auction the rights to use their spectrum in return for a share of the proceeds. Voluntary incentive auctions, along with other measures to enable more efficient spectrum management, will generate nearly \$28 billion over the next 10 years, providing funds that will enable us to build a interoperable wireless broadband network for public safety, expand high-speed wireless broadband to rural America, and establish a Wireless Innovation Fund to accelerate the research and development of cutting-edge wireless technologies and applications. The Budget invests \$5 billion in the National Wireless Initiative to increase the availability of 4G wireless networks to at least 98 percent of the country.

**Fund the Community Development Block Grant Program.** The Budget provides \$3.7 billion in flexible Community Development Block Grant funds to State and local governments to address infrastructure, affordable housing, and economic development needs in their communities. This reduction of 7.5 percent funding is a tough choice that balances the need to decrease the budget deficit with the tough fiscal conditions confronting State and local governments. These flexible funds will allow 1,200 State and local grantees to improve infrastructure, build and rehab affordable housing, and create and retain jobs.

**Fund the Federal Strategic Plan to End Homelessness.** The Budget includes over \$2.5 billion through HUD to make progress toward the goals of the Federal Strategic Plan to End Homelessness, which was released by the President in June 2010. This includes over \$2.3 billion for Homeless Assistance Grants to maintain existing units and expand prevention, rapid-rehousing, and permanent supportive housing, and \$145 million in new housing vouchers for over 19,000 homeless veterans and homeless persons who receive health care and other services through the Departments of Health and Human Services and Veterans Affairs. In addition, the Budget provides \$50 million for new service coordinators and incentive fees, which will incent housing authorities to serve more homeless persons. These funding increases will enable HUD to assist approximately 78,000 additional homeless individuals and families.

**Revitalize Distressed Urban Neighborhoods.** The Budget reflects an integrated and performance-driven approach to distressed urban neighborhoods, where the challenges tied to jobs, education, public safety, and other needs intersect and compound each other. The Budget provides \$250 million for the Choice Neighborhoods initiative to continue transformative

investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located, a significant increase from the 2010 enacted level. The Budget will reach 5 to 7 neighborhoods with grants that primarily fund the preservation, rehabilitation and transformation of HUD-assisted public and privately-owned multifamily housing, and will also engage local governments, nonprofits, and for-profit developers in partnerships to improve surrounding communities. In addition, the Budget reflects a strategy in which HUD and other agencies, including the Departments of Justice, Education, and Health and Human Services, will work together by co-investing and pooling their expertise as part of a focused Neighborhood Revitalization Initiative.

**Target Support for First Responders by Eliminating Duplicative Programs.** The Budget provides \$3.8 billion for State and local programs to equip, train, exercise, and hire first responders. To better target these funds, the Budget proposes the elimination of eight stove-piped and duplicative stand-alone grant programs, consolidating them into broader state or local grants that are awarded based on risk. This approach provides greater flexibility for state and local officials to fill critical homeland security capability gaps while promoting cost-effectiveness and impact. This structure and the funding proposed in the Budget continues to focus on the highest priority state and local homeland security initiatives and maintains critical state and local support personnel.

**Promote Affordable Homeownership and Help Families Stay in Their Homes.** The Administration projects that the Federal Housing Administration (FHA) will insure \$218 billion in mortgage borrowing in 2012, supporting new home purchases and re-financed mortgages that significantly reduce borrower payments. FHA financing was used by 38 percent of all homebuyers, 60 percent of African American homebuyers and 61 percent of Hispanic families who purchased homes in 2009. It also is a vital financing source for first-time homeowners; roughly 30 percent of who use FHA insured financing. The Budget also includes \$168 million for housing and homeowner counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks). Over half of these funds are dedicated to foreclosure assistance. NeighborWorks' National foreclosure Mitigation Counseling program has assisted over 1 million households since its inception in 2008.

**Continue Critical Funding for Health Centers.** Health centers are a key component of the nation's health care safety net. These sites offer comprehensive, high quality, primary and preventative health care services to all Americans regardless of ability to pay. Health centers will continue to be a critical element of the health system as the Nation expands insurance coverage through the Affordable Care Act (ACA). In 2009, the Recovery Act provided \$500 million to expand health center services to an additional 2 million patients. The ACA continues this progress by investing a total of \$2.2 billion in new resources for health center services in 2011 and 2012. The Budget builds on this investment by providing an additional \$2.1 billion. In 2012, health centers are estimated to serve 24 million patients.

**Prevent Hunger and Improve Nutrition.** At a time of continuing need, the Budget provides \$7.9 billion for discretionary nutrition program support. Funding supports 9.6 million participants in the WIC program, which is critical to the health of pregnant women, new mothers, and their infants and young children. The Administration supports implementation of the Healthy, Hunger-Free Kids Act of 2010, strengthening the child nutrition programs and

increasing children's access to healthy meals and snacks. As the Supplemental Nutrition Assistance Program (SNAP) continues to serve an unprecedented number of participants, the Administration re-proposes to temporarily suspend the time benefit limits for certain working-age, low-income adults without dependents for an additional fiscal year. The Budget also proposes to restore the SNAP benefit cuts that were included in Child Nutrition reauthorization. In order to combat food deserts, the Administration provides \$35 million in the Office of the Secretary Agriculture and other funds in Rural Development and the Agricultural Marketing Service to support USDA's portion of the Healthy Food Financing Initiative. The funding will provide grants, loans, loan guarantees, and other assistance to expand retail outlets for farm products in food deserts.

**Preserve Affordable Rental Opportunities.** The Budget requests \$19.2 billion for the Housing Choice Voucher program to help more than two million extremely low- to low-income families with rental assistance live in decent housing in neighborhoods of their choice. The Budget funds all existing mainstream vouchers and provides new vouchers targeted to homeless veterans, families, and the chronically homeless. The Administration remains committed to working with Congress to improve the management and budgeting for the Housing Choice Voucher program, including reducing inefficiencies, and re-allocating Public Housing Authorities' Housing Voucher program reserves based on need and performance. The Budget also provides \$9.4 billion for Project-Based Rental Assistance to preserve approximately 1.3 million affordable units through increased funding for contracts with private owners of multifamily properties. This critical investment will help extremely low- to low-income households to obtain or retain decent, safe and sanitary housing.

**Expand the Promise Neighborhoods Program to Prepare More Students for College.** The Budget includes \$150 million of dedicated support for Promise Neighborhoods, modeled after the Harlem Children's Zone, which aims to improve college going rates by combining a rigorous K-12 education with a full network of supportive services in an entire neighborhood. This initiative would support comprehensive programs that address the needs of children and youth in a targeted area from before the time they are born to their attendance in college. The core principle behind this initiative is that combining both effective academic programs and strong health and social-service systems can combat the effects of poverty and improve the education and life outcomes of children.

**Strengthen the Unemployment Insurance Safety Net.** Many States' unemployment insurance (UI) systems are chronically underfunded and the economic downturn has severely tested their adequacy, leaving 31 States in debt at the end of 2010. These debts are now being repaid through additional taxes on employers, which undermine much-needed job creation. To provide short-term relief in these States, the 2012 budget provides a two-year suspension of State interest payments on their debt and automatic increases in Federal unemployment insurance taxes. At the same time, the Budget encourages States to put their UI systems on firmer financial footing so they can pay back their debts to the Federal government and better respond to future economic conditions. The Budget does so by increasing the minimum level of wages subject to unemployment taxes to \$15,000 starting in 2014, indexed after that. In 2014, the taxable wage base will be nearly the same in real terms as it was in 1982, when President Reagan signed into law the last legislation increasing the wage base. In addition, in 2014, the Federal tax rate will be lowered to avoid a Federal tax increase.

**Equip American Workers to Compete and Win in the Global Economy.** In this increasingly interconnected global economy, it is important that we give American workers the capabilities and American businesses the tools to compete and win in the global economy. We must transform our economy from one too focused on speculation, spending and borrowing to one that is educating, innovating and building. The Administration is committed to smart investments in a lifetime of learning that will improve the capabilities of our workforce. The Budget proposes to:

- *Establish a Competitive Early Learning Challenge Fund.* Recognizing that quality early education is an investment that pays off for years to come, the Administration proposes creating a competitive fund to encourage States to take dramatic steps to improve the quality of their early childhood development programs.
- *Consolidate Redundant and Stove-Piped Programs to Improve Outcomes.* The Budget proposes eliminating 13 Department of Education discretionary programs and consolidating 38 K-12 programs into 11 new programs that emphasize using competition to allocate funds, giving communities more choices and using rigorous evidence to fund what works. The Administration will make sure that, under these competitions, there is an equitable geographic distribution of funds nationwide.
- *Give Students Access to Successful Schools.* The Budget provides significant funding to school turnaround grants to help States and school districts turn around our Nation's lowest performing schools and expand educational options by helping to grow effective charter schools and other autonomous public schools that achieve positive results.
- *Launch "First in the World" Competition.* The Budget invests \$150 million in a new initiative to increase college access and completion and improve educational productivity through an evidence-based grant competition. In addition to these competitive grants, the Budget also provides \$50 million in 2012 and a total of \$1.3 billion over five years in performance-based funding to institutions that have demonstrable success in enrolling and graduating more high-need students and enabling them to enter successful employment.
- *Improves Job Training.* The Budget provides funding for a competitive Workforce Innovation Fund that will allow States and localities to create and test new ideas and strategies for delivering better employment and education results and provides nearly \$10 billion to fund Workforce Investment Act (WIA) programs to match unemployed people with jobs and give people with skill gaps the training they need to secure employment. The Administration will also work with Congress to reform the WIA to better meet the needs of employers and regional economies.

**Reform Elementary and Secondary School Funding by Supporting High Standards, Encouraging Innovation, and Rewarding Success.** The Administration will work with Congress to restructure K-12 funding to focus resources on the Nation's most critical educational goals, in the context of the reauthorization of the Elementary and Secondary Education Act. Specifically, the Budget proposes encouraging States to adopt standards that

prepare all students for college and a career; to support dramatic improvements in the quality of assessments; and to recognize and reward schools and teachers for helping students make important gains. It includes \$300 million in new Title I funding to reward schools that show the most progress in improving the achievement of at-risk students; \$300 million to continue the Investing in Innovation program to test, validate, and scale up effective approaches to student learning; \$150 million in Promise Neighborhoods, an initiative that supports effective community services, strong family supports, and rigorous comprehensive education reforms; \$372 million to expand educational options by helping grow effective charter schools and other autonomous public; \$600 million for School Turnaround Grants; \$835 million to support a well-rounded education, including reading; science, technology, engineering and math (STEM); and the humanities; \$365 million for efforts to promote school safety, health, and well-being; and \$750 million to strengthen and reform education for English learners and to support innovations that will improve learning outcomes.

**Support the Neighborhood Revitalization Initiative.** The Budget provides \$30 million for the Byrne Criminal Justice Innovation Program, which supports the Administration’s multi-agency Neighborhood Revitalization Initiative by directing resources where they are needed in higher-risk neighborhoods, integrating public safety, housing services, and other investments.

**Help Cities Use Their Funds More Effectively to Support Job Creation.** The Budget supports the launch of an interagency effort to help communities better employ the Federal investments they already receive, promote high-impact strategies, and build the local capacity and collaboration needed to execute those strategies in economically distressed areas. This effort will enable these communities to create more effective partnerships with businesses and non-profits that will attract critical private investments to promote job creation. With leveraged support from HUD, EDA, and several other Federal agencies, as well as and the philanthropic, private, and non-profit communities, the Federal Government offers comprehensive economic planning funds, targeted interdisciplinary technical assistance, and a National Resource Bank – a “one-stop shop” of experts that communities can draw upon for a full range of services, including fiscal reforms, repurposing land use, and business cluster and job market analysis.