

## An Economy Built to Last for Our Cities and Metropolitan Areas

We now face a make-or-break moment for the middle class and those trying to reach it. After decades of eroding middle-class security as those at the very top saw their incomes rise as never before and after a historic recession that plunged our economy into a crisis from which we are still fighting to recover, it is time to construct an economy that is built to last. The President's 2013 Budget is built around the idea that our country does best when everyone gets a fair shot, does their fair share, and plays by the same rules. We must transform our economy from one focused on speculating, spending, and borrowing to one constructed on the solid foundation of educating, innovating, and building. That begins with putting the Nation on a path to living within our means – by cutting wasteful spending, asking all Americans to shoulder their fair share, and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. The Budget targets scarce federal resources to the areas critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and infrastructure. The Budget is a blueprint for how we can rebuild an economy where hard work pays off and responsibility is rewarded.

In order to create an economy that's built to last, 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 2013 Budget proposes making the following investments:

**Take Immediate Action to Support Growth and Job Creation.** While we have made progress in restarting job creation – with 3.7 million private sector jobs created over the past 23 months – the President believes much more needs to be done to put Americans back to work. Building off the provisions he proposed in the American Jobs Act, the President is calling for immediate steps to support job creation this year. These steps include extending the payroll tax cut through the end of the year – ensuring that 160 million workers do not see their taxes go up – providing aid to states and localities to hire and retain teachers and first responders, extending Unemployment Insurance, and making a \$50 billion up-front investment in infrastructure.

**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.

**Support Businesses in Underserved Communities.** Even in the more constrained budget environment, the Administration continues to support robust funding of programs that support growth and access to credit in underserved and lower-income communities. To help businesses thrive, the Budget will:

- *Support Growth and Lending.* For example, the Budget provides \$221 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 and rural communities. The Budget also funds several initiatives designed to promote entrepreneurship in underserved areas including the Small Business Administration's (SBA) Small Loan Advantage and Community Advantage programs and 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. The Budget also supports funding for the Minority Business Development Agency through the Department of Commerce.
- *Enhance Small Business Access to Credit.* Small businesses are the engine of economic growth and job creation. That is why the Administration is taking a series of steps to improve the access to capital for small businesses. First, the Administration supports \$16 billion in SBA 7(a) loan guarantees, which will help small businesses operate and expand. This includes an estimated \$14 billion in term loans and \$2 billion in revolving lines of credit; the latter are expected to support \$46 billion in total economic activity through draws and repayments over the life of the guarantee. The Administration also supports \$6 billion in guaranteed SBA lending for commercial real estate development and heavy machinery purchases; \$4 billion in Small Business Investment Company (SBIC) debentures to support new businesses and new jobs through early-stage and mezzanine small business financing; and \$18 million in direct loans to Microlender intermediaries to provide small loans to emerging entrepreneurs and other borrowers unable to receive credit elsewhere.
- *Cut Taxes for Small Businesses Seeking to Grow and Expand:* The President is proposing to build on the 17 small business tax cuts he has already signed into law with new tax cuts to encourage growth and investment, including expanding and making permanent the elimination of taxes on capital gains for key small business investments, providing a 10 percent income tax credit on new payroll for small businesses in 2012 (through either or increased wages), expanding and simplifying a tax credit for small businesses that provide health care to their workers and doubling the amount of start-up expenses entrepreneurs can deduct. The President is also proposing to extend 100-percent first year depreciation into 2012, giving firms an incentive for investing in plants and equipment now.

**Modernize Urban Mass Transit.** Consistent with the Administration's commitment to public transit, the Budget proposes \$11 billion in 2013 and \$108 billion over six years to support 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 urban mobility, cut commuting time, ease congestion, reduce oil consumption, lower greenhouse gas emissions, and expand access to job opportunities and housing that's affordable. By

adopting a “Fix-It-First” approach, the Administration’s reauthorization proposal also emphasizes the importance of preserving and improving the condition of existing transportation infrastructure. In addition, to spur job creation, an immediate investment of \$50 billion was requested for 2012 for critical transportation infrastructure, including \$8.7 billion to supplement urban mass transit programs, which will help lay a foundation for future economic growth and increased business development by improving and expanding transportation choices for Americans in urban communities.

**Help Cities Use Their Funds More Effectively to Support Job Creation.** The Budget continues to support an interagency effort led by HUD called Strong Cities, Strong Communities. This initiative will help communities better employ the Federal investments they already receive, promote high-impact strategies, and build the local capacity needed to execute those strategies in economically distressed areas. Further, 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, other Federal agencies, and the philanthropic community, the Federal Government offers targeted EDA funds, technical assistance, and a National Resource Network—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.

**Expand Access to Rail.** The Budget proposes to invest \$47 billion over six years in passenger rail, from a new dedicated rail account of the expanded Transportation Trust Fund. In addition, in order to jumpstart job creation and critical infrastructure projects, the Budget includes \$6 billion for rail investments in 2012. 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 proposes \$41.8 billion in 2013 and \$305 billion over six years for the Federal Highway Administration. It also includes an immediate investment of \$28 billion for critical highway projects in 2012 to jumpstart job creation. The Budget also proposes a new livability grant program (\$4 billion in 2013 and \$27 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 continues to support 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 provides the Department of Housing and Urban Development (HUD) \$100 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. As a part of this effort, up to \$3 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. The Budget also provides \$4 billion for DOT's Livable Communities program, which will focus resources on place-based planning, policies, and investments to help communities increase transportation choices and access to transportation services.

**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 allow us to provide \$7 billion to build a interoperable wireless broadband network for public safety, reserve additional spectrum that is valued at over \$3 billion for public safety users, and establish a \$300 million Wireless Innovation Fund as part of the funding for a public safety broadband network, to accelerate the research and development of cutting-edge wireless technologies and applications for public safety communications. Taken together, these proposals will also reduce the deficit by nearly \$21 billion over 10 years.

**Preserve HUD's Largest Block Grant Programs.** The Budget provides \$2.9 billion in flexible Community Development Block Grant funds, equal to 2012 enacted levels. Funding is distributed to 1,200 State and local governments to address infrastructure, affordable housing, and economic development needs in their communities. In addition, the Budget also again provides \$1 billion in HOME Investment Partnerships program. These funds are used to increase the supply of affordable housing for low-income families. Preserving these funding levels reflect the Administration's commitment to State and local governments during challenging fiscal conditions.

**Support the Neighborhood Revitalization Initiative.** The Budget provides \$20 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.

**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 \$150 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 \$30 million increase from 2012 enacted level. The Budget will reach 4 to 6 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. The Budget also maintains funding for the Department of Labor's YouthBuild program, which helps low-income young people ages 16-24 finish high school and learn job skills by building affordable housing in their communities. In addition, the Budget includes \$15 billion for Project Rebuild, which invests in proven strategies that leverage private capital and expertise to rehabilitate hundreds of thousands of properties in communities across the country.

**Expand the Promise Neighborhoods Program to Prepare More Students for College.** The Budget includes \$100 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 continuum of effective family and community 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 they are born until they attend college.

**Promote Affordable Homeownership.** The Administration projects that the Federal Housing Administration (FHA) will insure \$149 billion in mortgage borrowing in 2013, supporting new home purchases and re-financed mortgages that significantly reduce borrower payments. FHA financing was used for 37 percent of home purchase loans in 2009, with 60 percent of African American, and 59 percent of Hispanic borrowers who purchased homes using FHA. It's also an important financing source for first-time homeowners, 56 percent of whom used FHA insured financing in 2009 and 2010. In addition, 92 state and local housing finance agencies utilized Treasury's \$15 billion Housing Finance Agencies Initiative to provide mortgages in low and moderate income communities for creditworthy homebuyers, with an average home purchase price of \$110,000.

**Support Responsible Homeowners and Help Them Stay in Their Homes:** The President has put forward a legislative plan to support responsible homeowners by making millions more eligible for streamlined refinancing, which can save hundreds of dollars a month. In addition, the President has expanded efforts to help families avoid foreclosure by making 12-month forbearance for unemployed borrowers an industry standard and expanding eligibility for HAMP. The Budget also includes \$141 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.

**Preserve Affordable Rental Opportunities.** The Budget requests \$19.1 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. The Administration remains committed to working with the 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. This year the Administration extended the \$15 billion Treasury Housing Finance Agencies Initiative that helped support development of more than 25,000 affordable rental properties over the past 2 years. The Budget also provides: (1) \$8.7 billion for Project-Based Rental Assistance to preserve approximately 1.2 million affordable units through funding for contracts with private owners of multifamily properties; and (2) a total of \$6.6 billion for the Public Housing program, which provides decent, safe, and sanitary housing to 1.1 million extremely low- to low-income families. In addition, the Budget proposes \$1 billion in mandatory funding to finance the development, rehabilitation, and preservation of affordable housing for extremely low-income families through the Housing Trust Fund.

**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 preventive health care services to all Americans regardless of ability to pay. To ensure that health centers continue to provide critical access and services to millions of Americans in 2013 and for many years to come, the Budget promotes a policy of steady and sustainable health center growth by distributing ACA resources over the long-term, including in years after 2015. In addition, the Budget provides sufficient funding to open new health centers in areas in the country where they do not currently exist, through 2015 and beyond. In total, the Budget invests \$3.1 billion for health center services in 2013 to support the creation of new health center sites across the country. In 2013, health centers are estimated to serve nearly 21 million patients.

**Prevent Hunger and Improve Nutrition.** At a time of continued need, the Budget provides full funding to support the 9.1 million individuals expected to participate in the Special Supplemental Nutrition Program for Women Infants and Children (WIC) program, which is critical to the health of pregnant women, new mothers, and their infants. The Budget also supports continued implementation of the Healthy, Hunger-Free Kids Act of 2010, which is strengthening the child nutrition programs and increasing children's access to healthy meals and snacks. In addition, the Budget re-proposes to extend certain temporary Supplemental Nutrition Assistance Program (SNAP) benefits. SNAP is the cornerstone of our Nation’s food assistance safety net and touches the lives of millions of Americans, half of them children. Finally, in order to combat food deserts, the Departments of Agriculture, Health and Human Services, and Treasury have partnered to make available approximately \$400 million in financing to community development financial institutions, other nonprofits, public agencies, and businesses with sound strategies for addressing the healthy food needs of underserved communities.

**Establish a National Infrastructure Bank.** To direct Federal resources for infrastructure to projects that demonstrate the most merit and may be difficult to fund under the current patchwork of Federal programs, the President has called for the creation of an independent, non-partisan National Infrastructure Bank (NIB), led by infrastructure and financial experts. The NIB would offer broad eligibility and unbiased selection for large-scale (\$100 million minimum) transportation, water, and energy infrastructure projects. Projects would have a clear public benefit, meet rigorous economic, technical, and environmental standards, and be backed by a dedicated revenue stream. Geographic, sector, and size considerations would also be taken into account. The NIB would issue loans and loan guarantees to eligible projects. Loans issued by the NIB could be extended up to 35 years, giving the NIB the ability to be a “patient” partner side-by-side with State, local, and private co-investors. To maximize leverage from Federal investments, the NIB would finance no more than 50 percent of the total costs of any project.

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