



IEDC 2017

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IEDC

State of Federal Economic Development

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Federal Economic Development Forum

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Today, we will discuss key federal issues that impact the economic development profession:

- **Highlights FY 2016**
- **Outlook FY 2017**
- **Budget Preview FY 2018**
- **Take Aways**



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HIGHLIGHTS FY 2016



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2016: The good, the bad, and the ugly

- Unemployment rate at 4.7% in February
- GDP growth by 1.6% in 2016
- Labor Force Participation Rate at 63%



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2016: A Quick Economic Overview

- The good: Bureau of Labor Statistics (BLS) reported an official unemployment rate in February 2017 is at 4.7%, record lowest 4.6% reached in November 2016
- The bad: The Bureau of Economic Analysis (BEA), reported that real GDP growth in 2016 was at 1.6%, a decrease of 1% from 2015
- The ugly: Labor Force Participation Rate also reached the lowest since 1977 at 63%

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What we were aiming for in 2016

Former President Barack Obama emphasized optimism in an election year when Congressional expectations are low. Key themes:

- Strong economic growth, falling unemployment, job creation streak;
- Focus on education and workforce training;
- Support for small businesses;
- Investments in clean energy and infrastructure.

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The Budget

FY 2017 funding at the FY 2015 levels via a series of Continuing Resolutions (CR's):

- Roughly \$517 billion in defense discretionary spending and \$550 billion in non-defense discretionary spending – about \$1.06 trillion.

FY 2018 budget proposal contains severe reductions to non-defense discretionary spending

- Potential \$603 billion in defense spending and \$462 billion in non-defense discretionary spending



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**Let's take a look at important
economic development highlights
that defined 2016**

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Notable Anniversaries

On April 1st DOT celebrated its 50th anniversary

- In 2016, DOT announced numerous grants for transit-oriented development for communities to expand economic and social impact of new transit services

On August 4th DOE will celebrate its 40th anniversary

- DOE has been working to create more jobs through regional energy innovation ecosystems intended to foster sustainable regional clusters

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Workforce & Manufacturing

- Perkins Act was reauthorized through FY 2022



- DOL announced \$50 million in apprenticeship grants

- NNMI rebranded to ManufacturingUSA
→ leverages public-private institutes for manufacturing innovation (\$600 million in federal funds matched with \$1.3 billion in private funds)



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Trade & Foreign Investment

- Trade Facilitation and Trade Enforcement Act + State Trade Expansion Program (STEP) extended until 2020



- Proposed changes to EB-5 Immigrant Investor program might be implemented in 2017
- EXIM Bank continues to face Congressional opposition, (no appointment of 3rd Board Member – limits loans over \$10 million.)

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Rural Development & Infrastructure



- EPA and DOE collaboration on renewable energy investments in rural communities
- Over \$4.1 billion in supplemental disaster recovery funds for rural communities under FY 2017
- DOT grants to improve transit access to communities and local road projects
 - FTA's Planning Pilot Program: \$14.7 million to 16 organizations around the country



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OUTLOOK FY 2017

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Outlook for FY 2017



- 2016 Budget was extended twice with continuing resolutions
- Suspended debt limit until March 15, 2017 – now expired
- Congress passed a CR at the end of 2016 which freezes funding at FY 2015-16 levels
- CR expires on April 28, 2017; must pass new spending measure – omnibus/crominibus – or risk government shutdown

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FY 2017: Driving Economic Development Efforts

- EDA remains at \$261 million to continue programming and grant awards for economic development. Programs involved include:



- Economic Adjustment Assistance
- The POWER Initiative
 - Assistance for Coal Communities that have been negatively impacted by changes in the industry.

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FY 2017: Support for Rural Development

- Rural Development (USDA) remains at \$226.6 million to continue programming and grant awards for rural development. Programs involved include:
 - Rural Business and Cooperative Grant Programs: \$62.7 million
 - Rural Utilities Service: \$522.3 million



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FY 2017: Regional Development Agencies



- Delta Regional Authority: \$25 million

- Appalachian Regional Commission: \$146 million (FY 2016 funding level)



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FY 2017: Attention on Manufacturing



- NIST: \$690 million – agency total, includes:
- NNMI/ManufacturingUSA : \$25 million
- MEP: \$130 million

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FY 2017: Opportunities for People & Communities

- Department of Labor: \$12.2 billion
- Department of Education: received \$68.3 billion
 - ETA: \$9.5 billion
 - State & local workforce training and development under WIOA: \$3.3 billion
- Pell Grants: \$1.3 billion
- CDBG: \$3 billion





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FY 2017: But Keep In Mind

- CR expires on April 28th
- White House has requested supplemental funding for defense for current fiscal year
- White House has proposed non-defense discretionary cuts to offset supplemental request
- Congress has appropriations bills ready to roll to fund through the rest of fiscal 2017
- Big questions remain to be answered for CURRENT year before we can move to fiscal 2018



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BUDGET PREVIEW FY 2018

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FY 2018: Budget Preview



The Trump Administration published the “skinny” budget proposal on March 16, 2017

- The budget proposal requests \$1.15 trillion in discretionary spending for FY 2018
- The budget proposes drastic cuts to non-defense discretionary spending, where many economic development programs are found

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U.S. Department of Agriculture (USDA)

**FY 2018 calls for \$17.9 billion for USDA,
a cut of \$4.7 billion or 21% decrease over FY
2017**

- **Eliminates the \$498 million Water and Wastewater loan grant programs**
- **Eliminates the \$95 million Rural Business and Cooperative Service**
- **Rural communities would be served by private sector financing over federal investments**

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Department of Commerce (DOC)

**FY 2018 calls for \$7.8 billion for DOC,
a cut of \$1.5 billion or 16% decrease over FY
2017**

- **Eliminates EDA**
- **Eliminates MBDA**
- **Eliminates federal contribution to MEP;
effectively eliminates the program**
- **Reshuffles funding in ITA for greater enforcement
and compliance, possibly impacting global
markets account**

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Department of Defense (DOD)

**FY 2018 calls for \$639 billion for DOD,
a \$52 billion or 10% increase over FY 2017**

- **One of the largest one-year DOD increases in American history**
- **Repeals defense sequestration**

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Department of Education

FY 2018 calls for \$59 billion for Education Department, a cut of \$9 billion or 13% decrease over FY 2017

- **\$1.4 billion for public and private school choice**
- **Eliminates the \$732 million Federal Supplemental Educational Opportunity Grant program**
- **Cancels \$3.9 billion Pell Grants from unobligated carryover funding**

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Department of Energy (DOE)

**FY 2018 calls for \$28 billion for DOE,
a cut of \$1.7 billion or 5.6% decrease over FY 2017**

- **An increase of \$1.4 billion for the National Nuclear Security Administration**
- **Focuses funding for the Office of Energy Efficiency & Renewable Energy on limited, early-stage applied R&D**
- **Eliminates the \$42 million Innovative Technology Loan Guarantee Program**
- **Eliminates the \$6 million Advanced Technology Vehicle Manufacturing Program**

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Department of Housing and Urban Development (HUD)

**FY 2018 calls for \$40.7 billion for HUD,
a cut of \$6.2 billion or 13.2% decrease over FY
2017**

- **Eliminates \$3 billion CDBG program**
- **\$35 billion for HUD's rental assistance programs**
- **Eliminates \$1.1 billion HOME Investment Partnership, Choice Neighborhoods, and Self-Help Homeownership Opportunity programs**

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Department of Labor (DOL)

**FY 2018 calls for \$9.6 billion for DOL,
a cut of \$2.5 billion or 21% decrease over FY 2017**

- **Reduces or eliminates funding for workforce development and job training at undisclosed levels – currently set at \$3.3 billion under WIOA.**
 - **Closes or disadvantaged youth centers with poor performance, unclear which ones.**
- **Eliminates the \$434 million Senior Community Service Employment Program**
- **Shifts funding responsibilities for job training and employment service formula grants from Federal to State and Local (undisclosed funding amounts).**

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Department of Transportation (DOT)

**FY 2018 calls for \$16.2 billion for DOT,
a cut of \$2.4 billion or 13% decrease over FY 2017**

- **Shifts air traffic control function of FTA outside the government**
- **Eliminates the \$499 million TIGER grant program**
- **Reduces funding for many transit projects and support for long-distance Amtrak (undisclosed amounts)**
- **Eliminates the \$175 million Essential Air Service subsidies for commercial flights to rural airports**



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Department of the Treasury

**FY 2018 calls for \$12.1 billion Treasury,
a cut of \$519 million or
4.1% decrease over FY 2017**

- **Reduces funding for the IRS by \$239 million**
- **Eliminates \$210 million in Community Development Financial Institutions Grants which provide services to economically distressed neighborhoods**



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Environmental Protection Agency (EPA)

**FY 2018 calls for \$5.7 billion for EPA,
a cut of \$2.6 billion or 31% decrease over FY 2017**

- **Increases State Revolving Funds to \$2.3 billion (a \$4 million increase)**
- **Provides \$20 million for the Water Infrastructure Finance and Innovation Act**
- **Eliminates the \$100 million funds for the Clean Power Plan**
- **Eliminates 50 EPA programs worth \$347 million**
 - **As an example: Infrastructure Assistance Programs to Alaska Native Villages and the Mexican Border**

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Small Business Administration (SBA)

**FY 2018 calls for \$826.5 million for SBA,
a cut of \$43.2 million or 5% decrease over FY
2017**

- **Eliminates \$12 million worth of SBA grant programs**
 - **PRIME technical-assistance grants, Growth Accelerators and Regional Innovation Clusters**
- **Reduces \$46 million of loan guarantees for small businesses by \$1 million**
- **Maintains \$28 million in microloan financing for small businesses and start-ups**



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TAKE AWAYS

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Take Aways

The potential adoption of the FY 2018 budget holds widespread repercussions for economic development.

There would no longer be funds to draw-in private sector investment in infrastructure improvements, workforce development, innovation and entrepreneurship, small business expansion, and limited job creation.



Download the “Why Invest in Economic Development” brochure on our website: www.iedconline.org

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Take Aways

- These programs have support on the Hill
- The White House Budget Proposal is just that – a proposal
- We must be vigilant



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Call to Action

IEDC is also collecting examples of federal economic development investments from communities across the country. If you haven't already added to our growing library, please consider doing so today. It will be critically important to have real-world examples of the impact of these programs.

For an example of how we are using these investment cases, please see the ESRI booth outside



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