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Obama's Last Budget: The Breakdown for States and Localities.

The president's budget outlines ambitious spending proposals in health care and infrastructure — though their likelihood of passing is slim.

Every budget is about winners and losers. In that regard, President Obama's final budget is a \$4 trillion mixed bag for states and localities.

Many of his proposed initiatives would benefit urban areas, which won him praise from some but criticism from others who say such help would come at the expense of rural America.

Looking at the big picture, the proposed budget maintains the agreement reached last year that helped states and localities by lifting automatic cuts on discretionary spending, which are known as sequestration cuts. The budget also outlines ambitious spending proposals in health care and infrastructure — two key financial pressure points for state and local governments.

But getting such proposals through Congress looks tough, if not impossible. The president's fiscal 2017 budget, unveiled on Tuesday, would pay for many new spending initiatives by imposing new taxes on the wealthy, as well as putting a new \$10.25 per barrel tax on crude oil.

In a rare move, neither the Senate nor House budget committees have asked Shaun Donovan, the director of the Office of Management and Budget (OMB), to testify about the package. Other committees will hold hearings for agency budget requests, but the House and Senate are crafting their own proposals without apparent regard for what OMB might have to say.

Still, Obama's spending plan will likely shape the debate in Congress to some extent this year. As the congressional spending season gets underway, it will provide a blueprint for approaching many domestic programs.

Here are some of the main budget policies that would impact states, cities and counties:

Health Care

States would see some financial relief under Obama's proposal, which sends new money directly to them.

The budget calls for \$1.1 billion over two years to combat opioid abuse, including \$920 million to help states provide medication-assisted treatment. It also calls for \$90 million to help states expand programs to prevent prescription drug overdoses, particularly in the rural areas that have been hit hardest by the epidemic.

The budget would also extend the period in which the federal government will pay 100 percent of the cost of providing Medicaid coverage to individuals made eligible by the Affordable Care Act. The grace period would temporarily ease, or at least delay, the rising health-care costs many states are facing.

Water

The budget would provide \$267 million in funding for water security initiatives, helping states in the South and West deal with a historic drought. Obama's proposal would also fund a national research center to study ways of making desalination — the process that makes seawater drinkable — more affordable and efficient so it could be used on a larger scale. Another program would give money to the U.S. Geological Survey to help develop real-time water data so consumers and utilities can monitor their usage and learn how to consume less.

But Oklahoma Sen. Jim Inhofe, a Republican who chairs the Senate Environment and Public Works Committee, chastised the president for collectively cutting more than \$257 million from state revolving loan fund accounts. In a statement issued Tuesday, Inhofe accused the president of putting "cities and rural communities and their basic infrastructure needs at the bottom of his priority list."

Transportation and Roads

Driverless cars are the future, according to this budget anyway. Obama is calling for a \$4 billion investment over the next decade for the testing of self-driving cars because of their potential to reduce pollution, traffic and accidents.

Meanwhile, the proposed \$10-per-barrel fee on oil would help pay for \$300 billion in new infrastructure investments. That idea was first floated last week, but Republicans have already panned it, saying the oil fee would be passed down to consumers and burden them with higher taxes.

The budget also strives for a regional approach to transportation. It would let metro areas get \$10 billion worth of annual federal transportation money directly, rather than having it flow almost exclusively through states.

Tax Reform

The budget includes some staples from prior budgets, including a business tax overhaul that would clamp down on companies dodging U.S. taxes by sheltering profits in international holdings.

The president's plan also calls for a new, partial tax on municipal bond interest — a proposal fiercely fought by state and local government associations because it would likely lead to higher interest rates.

Obama is also promoting the idea of America Fast Forward Transportation Bonds, which would be a taxable municipal bond that would encourage more private investment in public infrastructure. Kenneth E. Bentsen, Jr., the president and CEO of the Securities Industry and Financial Markets Association, applauded the Fast Forward Bonds, but he said eliminating muni bonds' tax-free status would ultimately discourage investment in infrastructure projects and stifle job creation.

Agriculture

Obama has again looked to crop insurance and other farm subsidy programs for cuts, potentially saving \$18 billion over 10 years. But the cuts stand little chance of passing into law. House Agriculture Committee Chairman K. Michael Conaway, a Texas Republican, immediately fired off a statement saying Obama's plan deals "a severe blow to America's farmers and ranchers who have already suffered a 56 percent drop in net farm income over the past two years."

Homelessness

Sticking with his goal to end family homelessness by the end of the decade, Obama calls for \$11 billion to help families find permanent housing. That includes expanding the rapid rehousing and Housing Choice Vouchers programs that help families find affordable housing. Still, many have

criticized the administration for not going far enough to restore significant cuts these programs suffered under sequestration.

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