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**TO:** MAYOR TOM BARRETT; COMMON COUNCIL MEMBERS  
**FROM:** DANIELLE DECKER, LEGISLATIVE COORDINATOR  
**SUBJECT:** PRELIMINARY IMPACT OF PRESIDENT’S BUDGET PROPOSAL ON THE CITY OF MILWAUKEE  
**DATE:** MARCH 22, 2017

**ATTACHMENTS:** President Trump’s Budget Outline: *America First – A Budget Blueprint to Make America Great Again*; 2017 Community Development Block Grant Funding Recommendations

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**Summary**

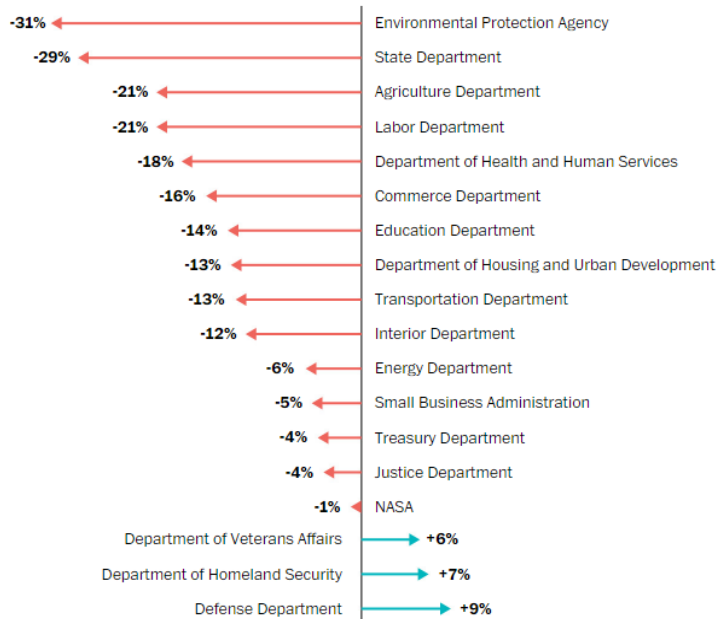
<b><u>TOTAL FEDERAL FUNDING</u></b>	<b><u>\$150 MILLION</u></b>
<b><u>HIGHLY VULNERABLE*</u></b>	<b><u>\$50.6 MILLION</u></b>

**\*The figure refers to the City’s preliminary estimation of funds most vulnerable to discretionary cuts proposed by President Trump in his budget outline which would need to be approved by Congress. This figure should in no way be interpreted as binding or definitive of the potential impact of the President’s budget on municipal services.**

The President’s “skinny budget” released on March 16, 2017 calls for a \$54 billion increase in defense spending, to be counterbalanced by equal reductions in discretionary spending. In addition to detailing his discretionary priorities, the proposal incorporates the President’s first attempt to fulfill his pledge to fund \$1 trillion in infrastructure investments he made during his address to Congress on February 27, 2017.

The budget outline identifies only proposed discretionary spending, not mandatory, which will be covered under the President’s full budget which is expected to be released in May. The President’s initial outline will be one of many steps in the larger Congressional appropriations process. The budget proposal has received both bipartisan support and pushback. The federal government is currently operating under a Continuing Resolution which will expire on April 28, 2017.

The Washington Post provided this helpful tool identifying the overall discretionary decreases and increases:



The greatest potential impacts to the City of Milwaukee directly listed in the proposal are the elimination of the Community Development Block Grant (\$14.5 million in FY16) and HOME Investment Partnerships Program (\$4.2 million in FY16). The Choice Neighborhood program is also targeted for elimination, although it is unclear whether the government would honor Choice recipients under a Fully Funded Grant Agreement, the phase in which the City's \$30 million multi-year Choice grant lies. The Choice grant is vulnerable if the federal government fails to honor its ongoing Choice grant agreements, as the federal funds are reimbursable to the City which must first expend the funds. The federal government's failure to honor Choice grants would also impact the project's ability to attract private capital. In addition, the Housing Authority of the City of Milwaukee (HACM) estimates it would sustain approximately \$3 million in grant reductions. The City would also lose its \$600,000 Office of Violence Against Women Act (VAWA) funding. If the federal government chooses not to honor ongoing TIGER grant programs, the city would lose an additional \$14.2 million in federal support.

### **Housing and Urban Development (HUD)**

- Community Development Block Grant - the City received \$14.5 million in FY16.
- HOME Investment Partnerships Program - the City received \$4.2 million in FY2016.
- Choice Neighborhoods - in 2015, the City and the Housing Authority (HACM) were awarded a \$30 million Choice grant to revitalize Westlawn public housing. This project is backed by a Fully Funded Grant Agreement (an official federal definition that formalizes the final stage of the grant process). It is unclear whether the proposal would target Choice grants which have recognized grant agreements firmly in place.

- The City of Milwaukee was first awarded a Community Development Block Grant (CDBG) forty-three years ago when bipartisan support in Congress created the program in 1974 through the Housing and Community Development Act of 1974.
- Eliminating CDBG would upend the federal program designed to combat urban blight that the City has relied on for over four decades. CDBG funds represent approximately 15% of the total grants the City receives. CDBG funds are solely reimbursable, not advanceable monies (with limited exception) meaning the City cannot responsibly undertake the risk of funding block grant-reliant programs without assurance that the federal government will ultimately fund the program.
- Elimination of CDBG would have a direct impact on municipal personnel and consequently, services and operations. If the CDBG were to be reduced, up to 78 municipal positions would be at risk for elimination:
  - Community Development Grants Administration: 14 Full Time Employees (FTEs)
  - Comptroller: 7 FTEs
  - Redevelopment Authority: 2 FTEs
  - Department of City Development: 12 FTEs
  - Neighborhood Services: 27 FTEs
  - Health Department: 11 FTEs
  - Milwaukee Fire Department: 3 FTEs
  - Equal Rights Commission: 1 FTE
  - Office of Small Business Development: 2 FTEs
- In addition to our nonprofit partners, CDBG and HOME funds support our Neighborhood Improvement Development Corporation, which serves the City's ten most high-risk neighborhoods (zip codes 53204; 53206; 53208; 53209; 53210; 53212; 53216; 53218).
- Elimination would disproportionately impact Milwaukee's poorest and predominantly minority communities. **A full list of City partners supported by CDBG is attached.**
- Conversely, the President's proposal supports a \$20 million increase to the current annualized rate of \$130 million to HUD for mitigation of lead-based paint and other hazards in low-income homes, focusing on homes where children reside. The City currently receives \$7.2 million in non-CDBG funds dedicated to addressing lead abatement and prevention.

**Department of Health and Human Services (HHS)**

- The Health Department would be impacted by the CDBG elimination, losing \$1.358 million in CDBG-directed funds for lead prevention and abatement services (the Health department also receives separate funding to address lead challenges through other HUD programs).
- The repeal of the Affordable Care Act could also affect some of the grants allocated to the City as certain Centers for Disease Control grants were distributed as part of the law.

### **Environmental Protection Agency (EPA)**

- The proposal severely reduces EPA categorical grants by \$482 million, for a total funding level of \$597 million. The plan also proposes to cut more than 50 EPA programs without providing a full list of targeted programs.
- The proposal calls for the elimination of the Great Lakes Restoration Initiative (GLRI), which supports healthy water for the 24 million people who live on the Great Lakes, including people in Wisconsin, Indiana, Michigan, Ohio, New York and Pennsylvania. The program has supplied eight Great Lakes-region with \$2.2 billion in federal funding since President Obama created the program in 2010. If the funding were eliminated, the region would lose \$300 million dollars.
- In recent years, the GLRI funds have been used in the Milwaukee area for \$1 million in alley repair with permeable pavement that is better for the environment and \$580,000 for Menomonee Riverbank Stabilization and Public Access Project. The Environmental Collaboration Office is also seeking upcoming funds to protect our urban trees from Emerald Ash Borer and other green infrastructure projects.
- It is unclear whether the Brownfield grants program would be reduced.
- The Redevelopment Authority (RACM) submitted five Brownfield grant applications in December 2016, totaling approximately \$1 million.
- Over the last fourteen years, RACM has received approximately \$20 million in Brownfield grants allowing RACM to close 3,551 Brownfield sites throughout the City.
- The President's budget proposal includes \$2.3 billion for the State Revolving Funds, a \$4 million dollar increase over the current continuing resolution (annualized rate) level. The U.S. Environmental Protection Agency offers two State Revolving Funds: the Drinking Water State Revolving Loan Fund (DWSRF) and Clean Water State Revolving Loan Fund (CWSRF) are both low-cost financing programs which are managed by the state using federal funds.
- In December 2016, President Obama signed into law the Water Infrastructure Improvements for the Nation Act (WIIN) which included \$20 million in funding for the Water Infrastructure Finance and Innovation Act (WIFIA) which President Trump's budget maintains. *WIFIA* works separately from, but in coordination with, the State Revolving Fund (SRF) programs to provide subsidized financing for large dollar-value projects. Under the funding allowances, municipalities are able to combine projects to meet the \$20 million project size minimum, making the City eligible for this funding.
- CWSRF funds are available for building infrastructure, like treatment plants and upgrades and for your awareness, the City currently utilizes \$25-27 million in these low-cost loan funds each year.

### **Department of Transportation (DOT)**

- The budget proposal calls for the elimination of the Transportation Investment Generating Economic Recovery (TIGER) grant.
- In 2015, the City was directly awarded a \$14.2 million DOT TIGER grant to support an extension of the original line. This funding is awarded specifically to the Lakefront extension; however, part of this TIGER grant includes some improvements to the Operations and Maintenance Facility to accommodate the extension as well as some track improvements on the Phase 1 alignment.

- The City intends to continue applying for TIGER grants therefore elimination would prevent any future grants being awarded to the City.
- The American Recovery and Reinvestment Act (ARRA) provided critical local funds, including \$31 million in Street Transportation Projects funding to repair roads, provide safe pedestrian thoroughfares, and increase bicycle access in 17 projects throughout the greater Milwaukee area. In addition, the federal Transportation Investment Generating Economic Recovery (TIGER) grant of \$21.2 million facilitated the rehabilitation of the Wisconsin Avenue Bridge and supported the reconstruction of the Juneau Ave Bridge.

#### **Department of Commerce (DOC)**

- The proposal eliminates the Economic Development Administration. In the past RACM has received \$200,000 in EDA planning grants.

#### **Department of the Treasury (TREAS)**

- The proposal would eliminate the Community Development Financial Institutions Fund (CDFI). City entities do not currently receive these funds, although the Milwaukee Economic Development Corporation has received \$1,053,806 as recently as 2012 through the Treasury's Financial Assistance award program, which provided critical capital to help stimulate private investment particularly among underserved communities.
- The proposal does not reference any elimination or reduction to the New Market Tax Credits program. The Milwaukee Economic Development Corporation last received a New Market Tax credit allocation year of 2012 (dispensed in 2013) for \$28 million.

#### **Department of Justice (DOJ)**

- The proposal does not specifically reference the Community Oriented Policing Services (COPS) grants, although makes broad promises to safeguard federal grants for state and local law enforcement designed to ensure greater safety for law enforcement personnel.
- The City currently receives an annual COPS grant of \$1.875 million in FY16 which funds 25 Milwaukee Police Department officers.
- Elimination or reduction of the COPS grant would threaten the City's current sworn strength of 1,888 which would require the gap to be plugged by the levy or state aid.

#### **Department of Homeland Security (DHS)**

- The proposal requires nationwide mandatory use of the E-Verify employment verification system, potentially imposing additional federal regulations on the City's Department of Employee Relations.

#### **Additional Areas of Concern -**

In addition to the direct threats to our city agencies, other proposals by the Trump administration that may potentially impact our community stakeholders include the elimination or reduction of:

- Low Income Home Energy Assistance Program
- Weatherization Assistance Program
- Community Services Block Grant
- TRIO program
- Meals on Wheels
- AMTRAK

Weatherization assistance services are currently provided by UMOS and Community Advocates. The Department Health and Human Services' Community Services Block Grant is the primary supporter of the Social Development Commission which provides more than 20 social service programs throughout the County. In addition, the elimination of the Treasury's Community Development Financial Institutions Fund impacts Milwaukee area stakeholders. As recently as 2015, local organizations including the Hmong Wisconsin Chamber of Commerce, the Wisconsin Women's Business Initiative Corporation, and Northwest Side Community Development Corporation have utilized these endangered funds. The proposal also recommends a reduction in funding for the TRIO educational opportunity programs, designed to expand higher education access for first-generation, low-income college students. Marquette University relies significantly on TRIO grants to recruit and retain diverse undergraduates.

The President's budget calls for an elimination of AMTRAK funds for long distance train services, which would eliminate the *Empire Builder* route, a long-distance train operating between Chicago and Seattle/Portland with stops through Milwaukee and other Wisconsin municipalities. Meals on Wheels is a program administered by the Milwaukee County which offers significant services to Milwaukeeans; the City is currently assessing the impact of any reductions on City residents.

In addition, the President's Proposal calls for the elimination of the below 19 federal agencies; agencies with which the City has a financial or programmatic relationship with are listed first:

1. **The United States Interagency Council on Homelessness** – the City is an active participant in the Council's peer-to-peer meetings.
2. **The Legal Services Corporation** – this elimination would directly affect Milwaukee's victims of domestic violence who are served through Legal Action of Wisconsin, which is a subgrantee of the City's Violence Against Women federal grant funding.
3. **The Institute of Museum and Library Services** – provides the State of Wisconsin with slightly less than \$3 million annually. Libraries in the City of Milwaukee receive funds to provide greater learning resources for students living in poverty.
4. **The National Endowment for the Arts** - has supported the City of Milwaukee through its support of the MKE Plays program, dedicated to building new playgrounds for children in historically underserved neighborhoods.
5. **The Neighborhood Reinvestment Corporation (NeighborWorks)** – Two local organizations are heavily dependent on NeighborWorks: Housing Resources, Inc, and Impact Seven.
6. **The African Development Foundation**
7. **The Appalachian Regional Commission**
8. **The Chemical Safety Board**
9. **The Corporation for National and Community Service**
10. **The Corporation for Public Broadcasting**
11. **The Delta Regional Authority**
12. **The Denali Commission**
13. **The Inter-American Foundation**
14. **The U.S. Trade and Development Agency**

15. **The National Endowment for the Humanities**
16. **The Neighborhood Reinvestment Corporation**
17. **The Northern Border Regional Commission**
18. **The Overseas Private Investment Corporation**
19. **The United States Institute of Peace**
20. **The Woodrow Wilson International Center for Scholars**