



TO: The Mayor

FROM: Tom Cochran  
Executive Director

DATE: February 3, 2004

SUBJECT: Staff Analysis of the President's Fiscal Year 2005 Budget Request

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The following is the Conference of Mayors staff analysis of the President's Budget request for FY 2005, which was submitted to Congress on yesterday. The analysis focuses on city priority programs and discusses the changes called for in FY 2005 compared to final FY 2004 funding. Conference of Mayors staff contact information is provided under each programmatic area if you or your staff have any questions about any specific program.

**ARTS AND RECREATION** (Staff Contact: Tom McClimon)

**Arts, Humanities and Museums** -- The National Endowment for the Arts budget would be increased by \$18 million from \$121 million in FY 2004 to \$139 million in FY 2005, the largest increase since 1984. Fifteen million dollars of the increase would fund a new initiative, *American Masterpieces: Three Centuries of Artistic Genius* which will sponsor presentations of great American works in large and small communities. The National Endowment for the Humanities would receive an increase for its new program, *We the People*, that promotes the study of the nation's history, institutions, and culture.

**Parks** -- The budget proposes a small increase for the state side program of the Land and Water Conservation Fund. Like last year, the budget contains no funding for the Urban Parks and Recreation Recovery Program.

**COMMUNITY DEVELOPMENT AND HOUSING** (Staff Contact: Eugene Lowe)

**Community Development Block Grant (CDBG)** -- Funds would be cut from \$4.9 billion to \$4.6 billion in FY 2005. Formula grants, which go directly to cities and counties, would be level funded at \$4.3 billion. Formula grant funding will in effect be cut as 71 new jurisdictions are expected to be added to the program this year.

**HOPE VI** -- The Administration has proposed terminating this program, which provides assistance for the revitalization of severely distressed public housing and is currently funded at \$150 million.

**Brownsfields Redevelopment** -- No funds are requested for this program in the FY 2005 budget request. The program is currently funded at \$25 million.

**Section 108 Loan Guarantee** -- The Administration made no request for funds for the Section 108 Loan Guarantee program in its FY 2005 budget request.

**Public Housing Operating Subsidies** -- This program will remain at last year's funding level of \$3.5 billion, while public housing capital is slightly reduced from \$2. 696 billion to \$2, 674 billion.

**The Housing Choice Section 8 Voucher Program** -- The program would be changed to the Flexible Voucher Program. Public housing authorities would receive funds based on a "dollar-based" approach, instead of the current "unit-based" approach. Public housing authorities would receive a set dollar amount which they would have to meet local needs.

**Homeless Assistance Grants** -- This program would receive \$1.282 billion. There is also proposed \$25 million for a four-year Prisoner Re-entry Initiative to help those leaving prison to make a successful transition and to provide for long-term employment. HUD Assistant Secretary Roy Bernardi in a departmental budget briefing said that these funds will pass through HUD to the Department of Labor.

**Samaritan Housing** -- A new competitive grant funded at \$50 million is proposed to support the Administration's effort to end chronic homelessness by 2012.

**The Emergency Food and Shelter Program** -- Now at the Federal Emergency Management Agency, this program would be transferred to HUD, and funded at \$153 million, last year's funding level. This transfer, which would require legislation, has been proposed in past federal budgets.

**The HOME Investment Partnerships Program** -- This program would be increased from \$2. 010 billion to \$2. 085 billion. Within the HOME program is \$200 million for the American Dream Downpayment Program. The Administration is counting on this program to help approximately 40, 000 low-income families become homeowners.

**Zero Down Payment** -- The Administration is also proposing legislation to create a new program which would help first-time home buyers by allowing zero down payment loans and settlement costs. To make up for the risk involved, borrowers would pay slightly higher premiums in the short term.

**The Section 202 Elderly Housing Program, and the Section 811 Disability Housing Program** -- These programs would be funded at \$773 million and \$249 million, respectively.

## **HEALTH AND HUMAN SERVICES** (Staff Contact: Crystal Swann)

**Breast and Cervical Cancer** -- The FY 2005 budget provides an increase of \$10 million for the breast and cervical cancer program. The CDC program supports screening services for low-income, under insured and uninsured women.

**HIV/AIDS Programs** -- The Administration's budget request includes \$2.1 billion for the Ryan White CARE Act which includes a \$35 million increase for the AIDS Drug Assistance Program. ADAP supports the purchase of medications for persons living with HIV/AIDS. The budget request for HIV/AIDS, STDs, and TB prevention programs is \$1,143 billion, a reduction of \$156 million from FY 04.

**Chronic Disease Prevention/Steps to a Healthier US Initiative** -- The FY 2005 budget includes \$125 million, an increase of \$81 million for the Steps to A Healthier US Initiative within the Centers for Disease Control and Prevention. Of this request \$115 million will be used to expand the state and community grant program initiated this past September to reduce the prevalence of diabetes, obesity, and asthma-related complications through preventive activities. Additionally, the budget calls for \$915 million for Chronic Disease Prevention and Health Promotion an increase of \$62 million over FY 2004.

**Head Start** -- The budget request includes \$6.9 billion for Head Start, an increase of \$169 million over FY 2004. Included in that is a set-aside for a nine state pilot program funded at \$45 million.

**Drug Treatment** -- The budget requests includes \$1.832 billion for the Substance Abuse Partnership Block Grant and a \$517 million for substance abuse treatment activities. The request also proposes to double funding for Access to Recovery State Voucher program for a total funding level of \$200 million.

**Low-Income Home Energy Assistance Program (LIHEAP)** -- This program would be funded at \$2.0 billion, an increase of \$112 million over FY 04. This includes \$1.8 billion for formula block grants to States and \$200 million of contingency funding.

**Bioterrorism** -- The budget propose a reduction of approximately \$100 million for FY2005. Funds would be reduced from \$940 million to \$829 million for state and local capacity building.

**Medicare** -- The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) creates a new Part D prescription drug benefit and allows for competition among health plans. The MMA establishes a new Medicare approved prescription drug discount card that will assist Medicare beneficiaries to reduce their drug costs. The budget request for FY 2005 is \$331 billion, an increase of \$28 billion over FY 2004.

## **HOMELAND SECURITY AND PUBLIC SAFETY (Staff Contact: Ed Somers)**

### **Homeland Security**

**First Responder Program** -- In a major policy change for the Administration, the FY 2005 budget for the Department of Homeland Security would greatly shift the focus of funding programs to high-threat areas and reduce funding sent to the states in the form of block grants. The proposal would also change the funding formula used for allocating money to the states away from one based on population, to a formula based on a number of factors including “population concentrations, critical infrastructure, and other significant terrorism risk factors, as determined by the Secretary of Homeland Security.”

Overall funding for key first responder programs would be reduced by \$474 million, from \$3.675 billion to \$3.201 billion. Within this total, the state block grant program would be reduced from \$1.7 billion to \$750 million, firefighter assistance grants would be reduced from \$750 million to \$500 million, and law enforcement terrorism prevention grants would stay level at \$500 million. A major increase is proposed for the high-threat, high-density urban areas program, which would double from \$725 million to \$1.452 billion. Of this total, \$1.2 billion is for high-threat urban areas, \$200 million is for targeted infrastructure protection, and \$46 million is for port security.

There is no major shift in the allocation of funding through the states, with the block grant funding, law enforcement prevention funding and high-threat funding all still being sent through the states. As in FY 2004, the states would be required to sub-allocate 80 percent of this funding locally. The budget also limits the use of overtime, including training, under the high-threat and law enforcement programs to not more than 10 percent.

**Transportation Security Administration** (Staff Contact: Ron Thaniel) -- For FY 2005, the Department of Homeland Security proposes a budget of \$5.29 billion for the Transportation Security Administration (TSA), an increase of \$890 million over the President’s FY 2004 budget request. The FY04 conference report included \$5.4 billion for the TSA. It is unclear how much of this funding will be used to reimburse local government for local law enforcement airport security.

### **Border Security (Staff Contact: Justin O’Brien)**

In the area of border security the President’s Homeland Security budget proposal includes an additional \$411 million to maintain and improve border security initiatives, including those outlined below. Significantly, no funding is included in the President’s FY2005 budget proposal for implementation of the United States Visitor and Immigrant Status Indicator Technology (U.S. VISIT) at land-based ports of entry. US VISIT is due to be introduced at land-based ports of entry at the end of 2004.

**Customs and Border Protection (CBP)** -- A total of \$64.2 million would be provided for Aerial Surveillance and Sensor Technology to improve the detection of land-based movements between land-based ports of entry.

**Immigration and Customs Enforcement (ICE)** -- A total of \$12.5 million would be provided for long range radar operations and \$28.2 million to increase the flight hours of P-3 surveillance aircraft.

**Radiation Detection Monitors** -- A total of \$50 million would be provided for the development of Radiation Detection Monitors for use at sea, air and land-based ports-of-entry.

**Customs Trade Partnership Against Terrorism (C-TPAT)** -- This program would be increased by of \$15.2 million. C-TPAT emphasizes partnership between security and enforcement authorities and the commercial and transportation communities to achieve secure supply chains.

**National Targeting Center** -- A total of \$20.6 million would be provided for staffing and technology to support CBP's National Targeting Center, automated targeting systems and trend analysis.

**Coast Guard** (Staff Contact: Ron Thaniel) -- The Coast Guard would be funded at \$6.2 billion in FY 2005, which would be a \$600 million dollar increase over the President's proposed Fiscal 2004 budget. In addition, with 95 percent of all U.S. overseas trade passing through the Nation's 361 ports, DHS is proposing \$1.9 billion to ensure the security of ports, including \$1.7 billion for Coast Guard port, waterway, and coastal security activities, over \$160 million for container security programs, and nearly \$50 million for port security grants through the Office for Domestic Preparedness.

### **Public Safety**

**COPS** -- The budget proposes to all but eliminate the COPS program by reducing funding administered by the COPS Office from \$487 million in FY 2004 to \$95.5 million (almost an 80 percent cut). This comes on top of previous year cuts for the COPS program, which was once funded as high as \$1.6 billion annually. Of the total for FY 2005, no funding would be provided for the Universal Hiring Program, the COPS MORE program, the school resources officers program, or interoperability grants. The \$95.5 million includes \$17.6 million for community policing development initiatives, \$20 million for tribal law enforcement, \$20 million for meth programs, \$10 million for police integrity training, and \$27.9 million for management and administration.

**Local Law Enforcement Block Grant** -- As in FY 2004, the budget proposes to combine the Local Law Enforcement Block Grant (funded at \$225 million in FY 2004) and the state-based Byrne Formula Grant Program (funded at \$659 million in FY 2004) into a new Justice Assistance Grant program. Overall funding for the combined new program would be reduced from \$884 million to \$509 million. This comes on top of the 44 percent reduction in LLEBG funding in FY 2004.

**Other Justice Programs** --The State Criminal Alien Assistance Program, funded at \$300 million in FY 2004, and the Juvenile Accountability Incentive Block Grant, funded at \$60 million last year, would both be eliminated. Violence Against Women Act programs would be cut from \$387.6 million to \$362.5 million, and Weed and Seed funding would be cut from \$58.5 to \$51.2 million. The Administration is seeking \$176 million, up from \$100 million, to help clear the backlog of unanalyzed DNA samples, invest in the latest crime lab technology, train criminal justice professionals to make better use of DNA evidence. In addition, drug court funding would increase from \$38.5 to \$67.5 million, and increases are proposed for the funding of gun violence interdiction and offender re-entry programs.

**ENERGY** (Staff Contact: Debra DeHaney-Howard)

The President's FY 2005 budget calls for \$24.3 billion in spending for the Department of Energy (DOE), a 4 percent increase over the FY 2004 request. .

**Renewable Energy** -- The budget calls for \$375.0 million in renewable energy spending to develop diverse sources of energy and related technologies to meet the need for clean and affordable energy. This includes funding increases for wind energy, hydrogen, geothermal energy, and hydro power. However, the budget proposes to reduce funding for solar energy 3.8 percent for a total of \$80.3 million.

**Energy Conservation** -- The budget provides \$876 million for energy conservation spending through the Office of Energy Efficiency and Renewable Energy. The budget proposes to increase funding for the weatherization assistance for low-income families program from \$288.2 million in FY 2004 to \$291.0 million. This is a 28 percent increase over FY 2004 funding. The Hydrogen Fuel Initiative/FreedomCAR Partnership, which aims to develop technologies needed to enable the production of hydrogen powered fuel cell vehicles, would be funded at \$234.2 million.

**Electric Transmission and Distribution Grid** -- The budget requests \$91 million, a 12.5 percent increase above the FY 2004 level, to modernize and expand the national electricity transmission grid.

**EDUCATION** (Staff Contact: Fritz Edelstein)

For FY 2005, the President is requesting \$57.3 billion in discretionary appropriations for the U.S. Department of Education. This is a \$1.7 billion increase over the FY 2004 appropriation. Significant proposed increases in program funding include: \$1 billion for Title I, \$1 billion for IDEA, \$100 million for Reading First, \$63 million for Charter School Facilities, and \$823 million for Pell Grants. The budget proposal also eliminates 38 programs and reduces numerous others.

**Elementary and Secondary Education Act, Title I** -- The President proposes to increase the Title I program by \$1 billion, which provides grants to local education agencies through the states for some 15 million students in high-poverty districts across the nation. These are the students most in danger of falling through the cracks. The proposed FY2005 budget for this program is \$13.3 billion.

**Individualized with Disabilities Education Act (IDEA)** -- The President also proposes to increase the Special Education Grants to States program part of IDEA by \$1 billion to make a FY2005 budget request of \$11.1 billion. This program funds most of the special education programs in local school districts.

**21<sup>st</sup> Century Community Learning Centers** -- The budget proposes to fund the program at \$999.1 million as a result of the across the board cut in most programs. This is the same as the final appropriation in FY2004 after the recession but significantly more than the FY 2004 request of close to \$600 million.

**Reading First** -- The FY2005 request would expand support for Reading First to a total of \$1.1 billion, an increase of \$100 million. This program focused on the President's goal that all children read on grade level by the end of third grade.

**Early Reading First** -- This program is an important complement to Reading First by providing support to existing pre-school programs and enables children to get an early start on learning to read prior to entering kindergarten or first grade. The budget provides \$132 million for this program that is an increase of \$38 million.

**No Child Left Behind Act** -- The proposed budget for all of the programs included in implementing the *No Child Left Behind Act* is \$24.77 billion, an increase of some \$600 million from the FY2004 appropriations for these programs. This increase includes a \$1 billion increase for Title I, the addition of new programs and the elimination of several programs. Among the programs proposed to be eliminated are Even Start, Elementary and Secondary School Counseling, Arts in Education, and Javits Gifted and Talented.

**Vocational and Adult Education** -- The Administration's plan for the reauthorization of this legislation would create a new *Secondary and Technical Education State Grants* program. It will eliminate the many of the existing programs and fold them into this one grant program. As a result the budget proposed is reduced by some \$300 million to an FY2005 request of \$1.012 billion. The focus of the new grant program would be to more closely tie high school programs to those for career and technical education that occur after high school.

**Pell Grants** -- An increase of \$823 million is requested for Pell Grants that makes the total FY 2005 budget request to be \$11.1 billion. The ceiling for individual Pell grants remains at \$4,050. The increase will enable an estimated 5.3 million students to participate an increase of some 1million students since 2001. Included in the President's budget request for Pell Grants is

\$33 million to create Enhanced Pell Grants that will provide an additional \$1,000 to low-income students who are State Scholars and take rigorous high school curriculum.

**Charter School Facilities** -- The budget request increases the amount available for Credit Enhancement for Charter School Facilities to \$100 million for \$37 million in FY 2004. This program assists public and non-profit entities to leverage funds to help charter schools purchase, construct, renovate, or lease academic facilities.

**Loan Forgiveness for Teachers** -- The budget proposal creates within the Administration's proposal for the reauthorization of the Higher Education Act a loan forgiveness program for teachers of mathematics, science and special education in poor communities. The amount of this proposed program is \$406 million. It will assist in recruiting teachers in subject areas that are difficult to fill in many urban centers.

**Teacher Tax Deduction** -- The budget request increases the amount available for teachers to take a tax deduction for purchasing supplies with their own funds to \$229 million.

**Jobs for the 21<sup>st</sup> Century** -- The Department's part of this initiative is \$333 million. The initiative includes the additional \$33 million for Enhanced Pell Grants; \$100 million for Striving Learners that focuses on middle and high school students not yet reading at grade level (to be funded through the existing Title I legislation); \$120 million for a Secondary Education Mathematics initiative; and \$40 million for an Adjunct Teacher Corps that will enable well-qualified individuals from business, technology, industry and other areas to serve as adjunct high school teachers.

**Mentoring** -- The 2005 proposed budget requests \$100 million to create a at-risk middle school student mentoring program.

## **ENVIRONMENT** (Staff Contact: Judy Sheahan)

The Environmental Protection Agency's (EPA) proposed budget for FY 2005 is \$7.76 billion, \$13 million more than the submitted FY 2004 budget but \$61 million less than the recently passed FY 2004 omnibus budget.

**Brownfields** -- The President's budget calls for \$210 million for the brownfields program, the same as his request last year but \$39 million more than Congress appropriated (\$171 million). Of this total, \$120 million is allocated for brownfields assessment and cleanup funding, \$60 million for state programs, and the remaining money allocated for personnel and program costs.

**Clean Water/Safe Drinking Water Infrastructure** -- The Drinking Water State Revolving Fund remains level at \$850 million, as was proposed and funded during previous years. The budget request for Clean Water State Revolving Loan Funds is also listed at \$850 million, a decrease of \$500 million



from the FY 2004 appropriations at \$1.35 billion. EPA attributes this loss to Congressional earmarks and is urging members to demonstrate fiscal constraint this year. According to reports, in FY 2004, 510 lawmakers requested approximately \$350 million in earmarks for water infrastructure projects.

**Superfund** -- EPA has proposed an increase of \$115 million for Superfund cleanup from \$1.265 billion (FY 2004 actual) to \$1.38 billion that will address an additional 8-12 construction projects at Superfund sites.

**Army Corps of Engineers** -- The proposed budget for FY 2005 calls for discretionary budget authority of \$4.189 billion, a decrease of \$382 million from the FY 2004 omnibus appropriations bill of 4.571 billion.

### **JOB TRAINING PROGRAMS** (Staff Contact: Joan Crigger)

The President's budget for the Department of Labor (DOL) proposes an overall increase of \$149 million over FY 2004. As part of the President's High-Growth Job Training Initiative, DOL proposes a new \$250 million competitive grants program with community colleges and a new, \$300 million over four years prisoner reentry program, working with faith-based organizations. DOL again proposes consolidation of the Adult, Dislocated Worker and Employment Service programs into a single block grant, however with this consolidation, overall formula funding is cut by \$159 million. DOL also includes a new \$50 million pilot program for Personal Reemployment Accounts.

**Adult Training** -- DOL proposes to create a new \$3.3 billion Consolidated Adult and Dislocated Worker State Grant program by combining the current Adult and Dislocated Worker Employment and Training job training programs together with the Employment Service. These programs currently are jointly funded at \$3.1 billion.

The budget would cut the combined formula grant program by \$159 million to provide a small increase in the national reserve account, \$250 million for the new, competitive Community-Based Job Training Grants (with community colleges) program, and the new \$50 million pilot Personal Reemployment Accounts program.

**Community-Based Job Training Grants** -- This competitive \$250 million program is part of the President's High-Growth Job Training Initiative and would fund proposals that include partnering with community colleges and employers to train workers with skills needed in growth sectors of the economy.

**Prisoner Reentry Program** -- Working with the DOL, HUD and the Department of Justice, the budget proposes a new four-year, \$300 million Prisoner Re-entry Initiative to help individuals exiting prison make a successful transition to community life and long-term employment, working with fund faith-based community based organizations. The budget proposes to fund this competitive grant program \$90 million for FY 2005, partly from the existing \$50 million Youth

Offender Grant program, plus an additional \$40 million. DOL funding is proposed at \$15 million while HUD funding is proposed at \$25 million.

**Youth Training** -- DOL again proposes to take 25 percent off the top of the proposed \$1.1 billion youth formula funds for the newly proposed competitive National Challenge Grants program. The remaining 75 (\$750 million) percent of the youth funds will go to the Targeted State Formula grants, from which local youth programs are funded. DOL proposes a major focus on out-of-school youth and non-school programs that support academic achievement.

**National Youth Challenge Grants** -- The budget proposes a new competitive National Youth Challenge Grants program of \$250 million (taken from the existing \$1.1 billion youth formula funds). The competitive grants will support programs designed to help youth acquire the skills, credentials, and experience they need to succeed in the labor market.

**Personal Reemployment Accounts Pilot** -- As part of the President's High-Growth Job Training Initiative, DOL proposes to a new \$50 million pilot program for states to offer accounts of up to \$3000 each to eligible individuals to purchase job training and key services, such as child care and transportation.

## **TRANSPORTATION** (Staff Contact: Ron Thaniel)

The President's budget for the Department of Transportation proposes \$58.7 billion, including a \$9 billion increase above the Administration's TEA-21 reauthorization levels originally outlined last year in the Safe, Accountable, Flexible and Efficient Transportation Equity Act of 2003 (SAFETEA). The \$58.7 billion is a slight increase from the \$58.6 billion Fiscal 2004 budget largely due to increases in the highway and aviation trust fund. However, The Department of Transportation's overall discretionary budget would decline nearly 4 percent, to \$13.3 billion.

**Amtrak** -- The President's budget calls for Amtrak funding at \$900 million, the same amount requested for 2004. This amount is \$318 million or 26% below the Fiscal 2004 level of \$1,218 billion Amtrak received in appropriations from Congress. The Administration supports increased funding for intercity passenger rail (an additional \$500 million annually) should the Administration's reforms be enacted. Reforms proposed by the Administration include:

- Amtrak would be split into a private infrastructure company and train operating company, effectively separating the Northeast Corridor (NEC) infrastructure from long-distance train operations;
- DOT would lease the NEC infrastructure to a compact of States that would be responsible for managing the infrastructure and train operations along the corridor;
- Outside the Northeast where Amtrak does not own track, individual States and interstate compacts could negotiate with the freight rail companies to develop new routes. The Administration's position is that this will lead to the development of short corridor routes between major population centers; and

- After a transition period, States would bid contracts for infrastructure maintenance and train operations among the former Amtrak companies and other private companies. States would cover train-operating subsidies. Federal matching grants would help pay for infrastructure.

**TEA-21 Reauthorization** -- The Department's budget request increases funding for the President's six-year surface transportation reauthorization proposal, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA) to \$256 billion, an almost nine billion dollar increase over the Administration's original \$247 billion proposal announced last May.

**Highway Program** -- Highway funding at \$33.6 billion, while higher than expected, is \$200 million short of the fiscal 2004 levels of \$33.8 billion. The budget request links highway spending to incoming receipts of the Highway Account of the Highway Trust Fund.

**Transit Program** -- The transit budget request of \$7.2 billion is \$43 million less than the Fiscal 2004 Omnibus of \$7.3 and is the same as the Fiscal 2004 budget request from the President. Included in the \$7.2 billion request is \$4.7 billion for the Urbanized Area Formula program and the Fixed Guideway Modernization program. The Administration proposes to expand the New Starts program to make new non-fixed guideway transportation corridor systems and extensions ("small starts") eligible for funding.

**Aviation Program** -- Aviation spending would increase approximately 1 percent to \$14 billion in the Fiscal 2005 budget. The \$14 billion aviation budget includes \$3.5 billion for the Airport Improvement Program (AIP), an increase of \$100 million from the Fiscal 2004 Omnibus.

## **TAX POLICY** (Staff Contact: Larry Jones)

**Tax Treatment of Leasing Transactions for Tax Exempt Entities** -- The Administration has proposed significant changes in the tax treatment for leasing transactions with state and local governments and other tax-exempt entities. Language is included in the FY 2005 budget request that would impose severe restrictions on tax deductions that can be taken by companies that lease equipment and property to state and local governments. The proposal would deny tax deductions for legitimate losses that, under current law, may be incurred by these companies. It would also slow tax depreciation on property used by these companies to provide services to governments and other tax-exempt organizations. The effect of these changes will increase taxes for companies that lease to state and local governments and force them to charge higher lease payments to cover the cost of the tax increase.

The proposed changes would also restrict the use of so called sale-lease back transactions, which are currently used by state and local governments to finance infrastructure projects. In these transactions, a public asset (such as a transportation system, a water line or a stadium), is

sold to a company or investor for a temporary period. Under this arrangement the company gets an annual tax break based on the depreciating value of the asset over a period of time and the local government gets funds from the sale of the asset that can be used to expand or improve the infrastructure project. At the end of the period, ownership of the asset reverts back to the local government. The Administration claims it is merely closing a tax loophole to prevent abusive tax avoidance transactions. But these transactions have been allowed since the 1980s and are based on well-recognized legal principles. Until recently, the Federal Transit Administration encouraged cities to use these transactions to finance their growing infrastructure needs.

Mayors are concerned that the proposed changes will increase the cost of leasing and eliminate a financing tool used by cities, counties, states and other tax-exempt organizations.